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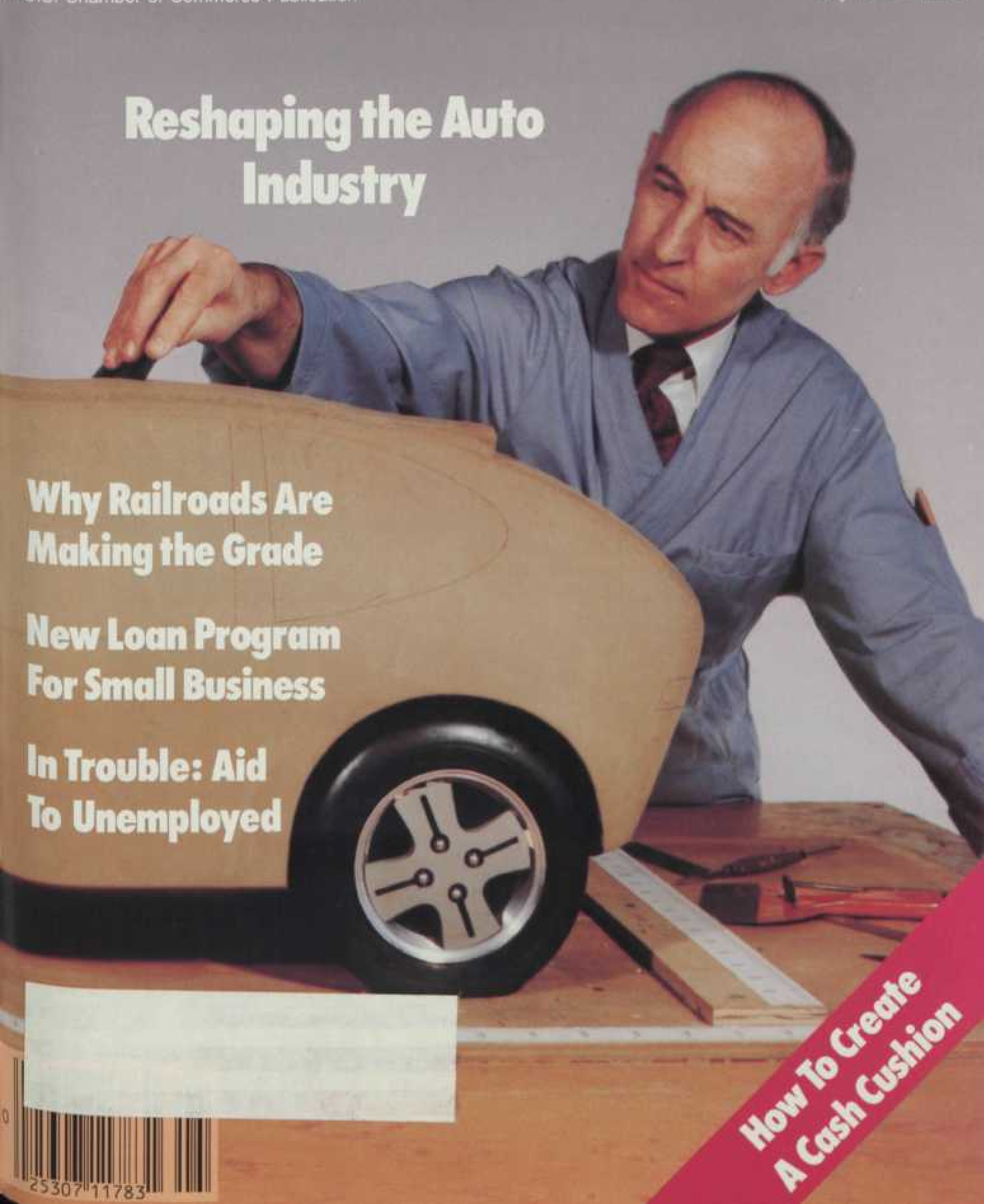

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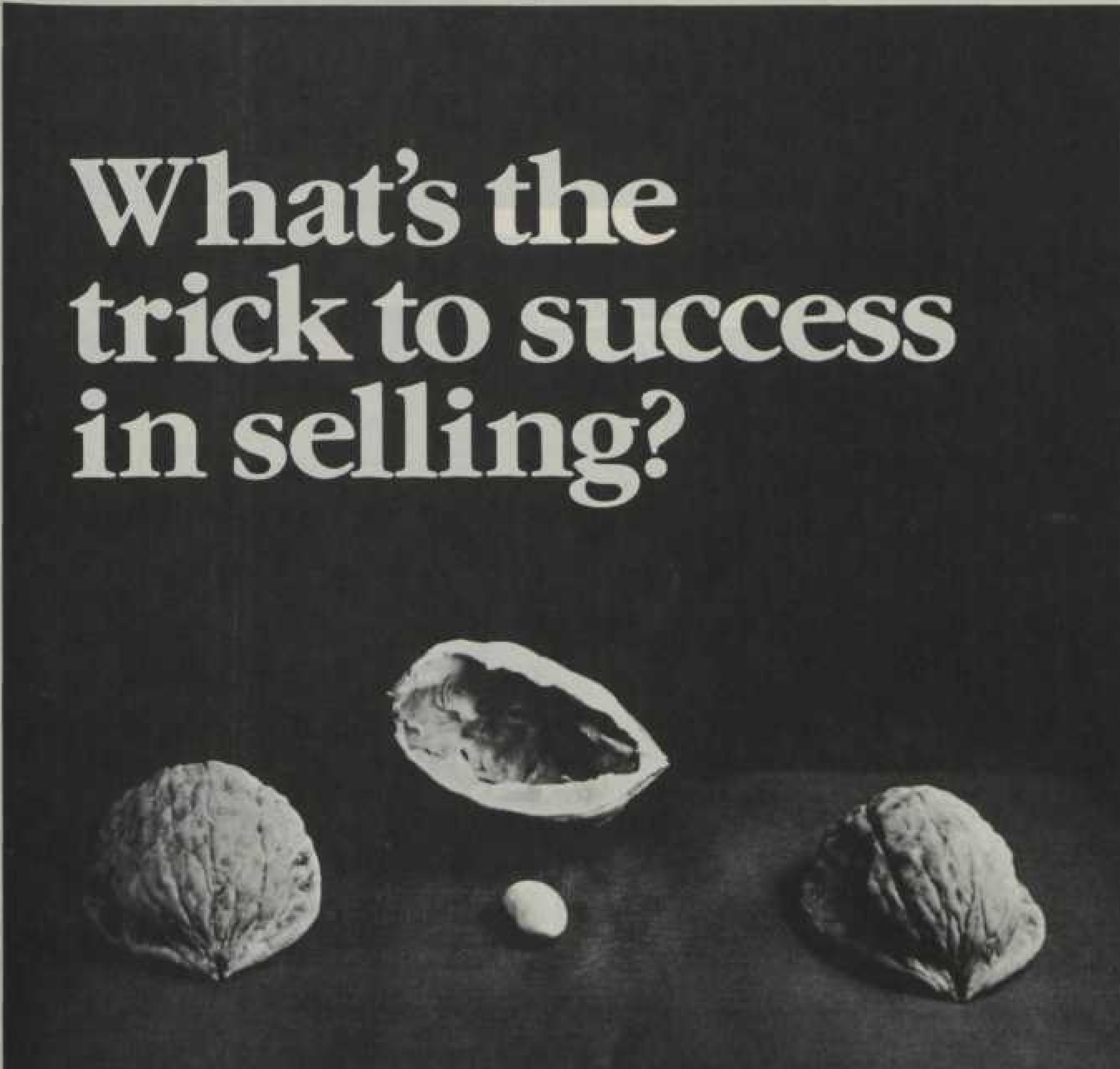

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Nation's Business

May 1983
Vol. 71, No. 5

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Departments

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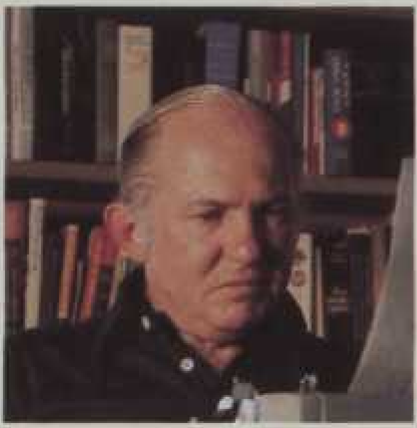
The Beauties of Baseball

LONGEVITY IS NOT RARE in the world of sports. Most of our Olympic events go back to the days of Ulysses. The ancient Egyptians, 7,000 years ago, were great fans of bowling. Cricket dates to the 1300s. The venerability of baseball is thus not especially impressive. The game as we know it today, with the bases 90 feet apart, dates only to 1845, and the first professional league only to 1876.

Nevertheless, baseball often seems to have been with us forever, like the equinoctial procession or the mighty redwood forests. No living American can remember a time when there was not baseball. The national pastime has survived the competitive allure of such entertainment as television, which helped to destroy the minor leagues. It has survived players' unions and a players' strike. It has survived George Steinbrenner and Billy Martin. It has survived the White Sox scandal of 1920 and the designated hitter rule of 1973. Last year more than 44 million persons attended major league games.



A box score is like a balance sheet: It has to add up.

As the 1983 season gets well under way, it is worth a moment or two to contemplate the why of baseball. Pari-mutuel horse racing draws a larger attendance, but here the allure is not so much the track as it is the betting window. Baseball does not have the appeal of speed, as auto racing does; it lacks the sustained frenzy of hockey or basketball; it offers no prospect of boxing's bloodshed. Let us face it: Baseball has long yawning periods characterized by the dullness of three-up, three-down. So why is baseball the national pastime in a way that football, for all the glamour of the Super Bowl, simply is not?

Eugene J. McCarthy, an erstwhile first baseman, has a theory that I warmly embrace. The primary reason for baseball's enduring appeal, he says, is to be found in metaphysics. Like time itself, baseball is hypothetically boundless and endless. If it were not for the outfield fences, erected as a practical necessity, the foul lines would stretch to infinity. If the teams are tied at the end of nine innings, the game can go on forever. Thus baseball is distinguished from sports that are ruled by the clock or by distance. The horse race ends at a mile and a quarter. The golf game ends at the last hole. A boxing match ends with the 15th round. But a baseball game could have no end.

I like that theory better than another theory I have read about, which has to do with the attraction of the mystic number of three. The bases are 90 feet apart; the distance from the pitcher's mound to home plate is 60 feet, 6 inches. Three strikes are out. Three outs retire a side. The regulation game has nine innings. All these numbers are divisible by three. I never understood what this theory does with the four balls that constitute a walk, but let it go.

My own theory is less cosmic. Baseball endures because it is the only team sport that is also, and uniquely so, an individual sport. The knowledgeable baseball fan revels in the team aspects—in the positioning of outfielders, the shifting of a shortstop, the rhythm of the double play. Managers play a game of wits with their lineups. But in the crunch, it is one on one, the pitcher and the batter, alone, exposed, the skill of one man matched in a fraction of a second against the skill of another. Sure, there is plenty of suspense in a goal-line stand or a nose-to-nose run down a stretch, but nothing in sports can approach the charged moment of three-and-two, and the bases loaded.

A more specialized appeal lies in baseball's statistics, and here we may get back into my brother McCarthy's metaphysics. A box score is like a balance sheet: It has to add up. Every base must be accounted for. How did a runner advance? A hit? A balk? An error? We have a winning pitcher and a losing pitcher, and inexorably they are so identified. On the football field, a tight end may drop an easy pass, but nothing is recorded. The third baseman who lets a ball get by is not so lucky. A kind of divine judgment colors this accountability. The sins of the baseball player are spread eternally upon the record book—but so are the good works of his career.

AT ITS BEST or at its worst (and there truly is no such thing as a bad ball game), baseball offers a reflection of life itself. Most of our everyday lives are lived three-up, three-down, but all of us know moments of high excitement also. Metaphorically we know the thrill of the grand slam and the squeeze bunt, and we know that these will be followed by pop-ups, strike-outs, an occasional wild pitch and maybe a passed ball. This is life, and this is also baseball. In the world of sports, nothing touches it. Nothing comes even close. □

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WASHINGTON LETTER

▶ WHILE CONGRESS debates budget in terms of defense and deficits, biggest question is whether decisions will translate into tax increases. Threat is very real. Lawmakers could be on course that would mean rollback in third-stage cut due July 1 in individual tax rates, delay or cancellation of indexing scheduled to begin in 1985 and even actual increases in some taxes. U.S. Chamber of Commerce urges members to pressure lawmakers to preserve scheduled relief, oppose new levies, concentrate on spending cuts.

▶ HARD CHOICES on spending haven't been made on Capitol Hill thus far because of liberals' success in portraying defense outlays as chief cause of deficits that can be cut only through higher taxes. But look at facts: In first four months of current fiscal year, defense outlays accounted for less than a quarter of total spending increases. Health and Human Services, which runs most social programs, was up nearly 30 percent; Agriculture Department, up 22.4 percent; Labor, up 13.2. Defense accounted for $7.9 billion of $32 billion spending increase from year-ago level. Opponents of higher taxes argue Congress must recognize role of nonmilitary outlays if deficit problem is to be solved.

▶ ON POLITICAL FRONT, President Reagan sounds more and more like an incumbent getting ready to run for a new term. And there's more to it than just a desire to avoid lame-duck status. He's already neutralized Democrats on jobs creation and Social Security reform, the two big issues in the opposition's success in off-year election. And he seems to be backing away from call for standby taxes, which disturbed many of his long-time supporters. Loudest hint to date came in his statement that absence of two-term Presidents since Eisenhower "creates an instability" and that "you really can't in four years carry through programs that may be necessary."

▶ THAT FLURRY of campaign activity among Democratic hopefuls, meanwhile, isn't as premature as it may appear. Concern of Mondale, Cranston, Glenn, Hart et al isn't focused on primaries next year, but on this December's meeting of AFL-CIO General Board. For first time, big labor will try to endorse candidate to support throughout primaries. Two-thirds vote of delegates representing member unions of the labor federation will be needed for endorsement. Stakes are enormous: Tremendous resources of COPE, the federation's national political action arm, will be thrown behind winner, along with political and financial muscle of state and local union organizations.

▶ COULD LABOR STRATEGY backfire, prove divisive to Democrats? That's a major risk, say Washington political analysts. AFL-CIO President Lane Kirkland concedes some Democrats might reject labor-backed candidate. And what about hopefuls who lose out on labor nomination? Won't they be tempted to attack union link of labor favorite, threatening longstanding tie between party and labor? Then, if AFL-CIO choice does not get nomination, what does that mean for labor's future in top councils of party? Lots of tough questions, these, but Democratic strategists are already pondering them.

▶ ADMINISTRATION is sowing confusion in housing-finance circles with its talk of transforming the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation into private

entities or making them minor factors in a secondary market dominated by the private sector. Office of Management and Budget and Treasury Department have raised the idea but have given no hint as to which result they prefer, or how they would achieve it.

▶ SOURCES at the mortgage agencies say ultimate privatization is a good idea but the private sector needs more time to gear up for taking over the secondary market than OMB or Treasury realizes. All parties involved are pressing the White House for early decision to clear up uncertainties.

▶ OCCUPATIONAL Health Hazards Compensation Act is official title of a bill that could be the first step toward a federalized workers' compensation system. System would be much more costly to employers than present state-operated arrangement. Bill deals only with disabilities related to asbestos or uranium exposure--it would take them from jurisdiction of state compensation programs--but contains mechanism for adding other work-related illnesses. All private sector employment would be covered. Employers could have to pay benefits up to 200 percent of national average weekly wage.

▶ IF YOUR BUSINESS markets through sales representatives, keep an eye on a House bill, H.R. 797, which would set a wide range of controls on relations between principals and sales reps. Bill would force principal to enter into written contract with sales rep, on terms dictated by law, or risk obligation to pay rep heavy indemnification for such steps as termination without good cause, reduction of commission rate or territory. In opposing bill, U.S. Chamber of Commerce urges members of House not to disturb present arrangement, in which relations between principals and sales reps are "controlled by market forces and formalized through arm's-length negotiations."

▶ THERE'S MORE to the Labor Department's monthly employment statistics report than the overall jobless rate spotlighted by the media. Total industrial employment, manufacturing hours worked and manufacturing overtime are all edging upward--more strong signals of recovery taking hold. Increasing overtime is often a prelude to hiring more full-time workers as companies find they cannot meet orders merely by stretching employes' work hours.

▶ AGRICULTURE DEPARTMENT has increased significantly its estimate of farm income this year as a result of implementation of the payment-in-kind program that is taking millions of acres out of production. Before PIK, which comes on top of existing crop-limitation programs, the department estimated 1983 net farm income at $15 billion to $19 billion. That range has now been raised to $18 billion to $22 billion.

▶ CAVEAT to the agricultural income projection: The improved picture will result from a reduction in production expenses that would have been incurred on the idled land and from higher government payments. Market receipts are likely to drop this year but to rise in 1984 as farmers sell commodities they will receive from government surplus stocks in payment for taking acreage out of production.

▶ POLITICAL ACTION committees must fight back against vote-buying charges or risk tightened federal controls that could undermine their effectiveness, a top specialist on campaign financing warns. Herbert E. Alexander urges supporters of PAC concept to challenge allegations that a lawmaker's vote was direct result of PAC contribution. One way to do that, he says, is to present total campaign finance picture of both lawmaker and PAC in question.

▶ SIGNS of the mood in Congress? The Senate chaplain opens a daily session by praying for senators: "Heal raw wounds and vindictive spirits, fill them with love and respect for their peers." On the same day in the House, the opening prayer asks: "Quiet our jangled nerves. Ease our tensed minds. Calm our explosive tempers."

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Computing a Computer Tax Break

By John Hanly Adams

If you take the plunge and buy a computer for personal and family use, can you get a tax break to help pay for the handy monster?

The answer is maybe, depending on how you use the machine and whether you keep good records on its use.

A computer used in a trade or business is like any other piece of equipment. It qualifies for a 10 percent investment tax credit (an offset against the business' tax liability in the year of purchase). The total cost—up to $5,000—can be "expensed" (claimed as a business expense) in the year of purchase, but if this election is made, the investment credit cannot be claimed.

Similar but importantly different rules apply to a computer used partly for personal matters (home budgets, games, children's homework) and partly for "production of income" (as in keeping track of stocks, money market funds, savings accounts and other investments).

In that case, you need first to show what share of the computer's use goes to personal matters and what share goes to "production of income" activities. A daily logbook by the machine is a good way to maintain acceptable records.

Then you can claim a proportional share of the investment tax credit, plus depreciation deductions from your income over the next five years.

Example: You buy a computer and software programs costing $4,000 in 1983, and you find you use it to keep track of investments about 40 percent of the time; the family pre-empts it for fun and games 60 percent of the time.

In your tax return for 1983 you can claim a tax credit of $160 ($4,000 × 10 percent × 40 percent) against your 1983 tax bill. In addition, you can deduct depreciation allowances from your 1983-87 income each year as follows: 1983—$240 ($4,000 × 15 percent × 40 percent); 1984—$352 ($4,000 × 22 percent × 40 percent); 1985, 1986, 1987—$336 each year ($4,000 × 21 percent × 40 percent × 3) for a grand total of $1,600 (40 percent of the purchase price). If each year you are in the 50 percent tax bracket, the depreciation allowances will be worth a total of $800 to you. Get Form 3468, IRS Publication 572—and a good tax adviser.

Note: For Your Tax File *is an information service for readers. See tax and legal advisers for guidance on all specific and individual cases.*

Mortgage Discounts

If you have a low-interest mortgage with years still to run, the lender may offer a discount as an incentive for you to pay off the principal faster than required.

Before you leap for it, figure in the tax consequences. IRS has ruled that the discount is taxable income in the year you get it. This means that the bigger the discount, the more tax you will owe.

In the case producing the rule, the homeowner paid off a $20,000 mortgage with $18,000. The $2,000 difference was "other income," said IRS, and taxable in the year of the transaction even though it represented a future obligation. The rule applies to a partial payoff discount, and it is retroactive—a rude shock for many who made such deals in 1982, when lenders were pushing them.

Court Decisions To Watch For

The U.S. Supreme Court has agreed to rule on these two issues of widespread and growing concern to many taxpayers:

- Are interest-free loans within a family taxable as gifts?
- Can IRS enforce a summons for an accountant's work papers on a client's tax affairs, or does the client's right to confidentiality extend to such papers?

The Court's judgments could be issued this year, but there is no way to predict that timing.

Taxing Tips

The Tax Equity and Fiscal Responsibility Act of 1982 requires more tip-income reporting from bars and restaurants with 10 or more employes, where tipping is customary.

Management must withhold income and Social Security taxes on tips reported by employes, as in the past. In addition, there is a new requirement: After April 1, if reported tips do not reach the level of 8 percent of gross receipts, the employer must allocate among bar/restaurant employes the difference between the 8 percent and the reported tips.

Employers are not required to withhold taxes on these allocated tips, but they must report them to IRS. Employes are responsible for paying any tax due on the allocated amounts.

Audit Chances

As your income rises, your chance of being audited increases. That truism is borne out again by the latest Internal Revenue Service tally of audit rates on various types of returns and income levels. Data cover audits in the 12 months ending Sept. 30, 1982, on returns for 1981 income.

	Percentage Of Returns Audited
Individuals filing nonbusiness returns, but with itemized deductions, by income	
Under $10,000	0.98%
$10,000-$25,000	2.45
$25,000-$50,000	2.90
$50,000 and up	5.66
Individuals filing Schedule C (gross receipts of sole proprietors, etc.), by income	
Under $25,000	1.66
$25,000-$100,000	3.97
$100,000 and up	5.94
Individuals filing Schedule F (farmers), by income	
Under $25,000	1.67
$25,000-$100,000	2.15
$100,000 and up	4.88
Partnerships	1.63
Corporations, by assets	
Under $100,000	2.79
$100,000-$1 million	4.49
$1 million-$10 million	12.59
$10 million-$100 million	23.86
$100 million and up	66.73
Gift tax returns	2.37
Estate tax returns	
Under $1 million gross	13.67
$1 million and up	68.59

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What About Watt?

I was an eagle scout and also a scoutmaster.

I was president of a New York-based corporation for many years, and today I am chairman of the board.

I served my country in World War II.

I have on my wall an award for outstanding service from the Reagan administration and a personal letter from the President thanking me for that service.

I love my country, every rock and rill.

And yet, according to the inference of your article, "Behind the Campaign Against Watt" [March], I am one who believes in "forms of government that lead to a centralized, socialized society" because I am a member of the Audubon Society, the Sierra Club and the Nature Conservancy and because I am a conservationist and, in certain specific situations, a preservationist.

According to your article I am an alarmist making "calculated political moves [against] basic American values, such as individual liberties and private property."

You quote Interior Secretary James Watt as saying, "People who care about free enterprise care about the environment. People who run roughshod over the environment in the name of free enterprise are despoiling the free enterprise system."

I absolutely agree with what he said. I also wish I could believe that he believes it.

BERNARD L. LEWIS
Union Dale, Pa.

The statement that "Jim Watt's conservative politics clash mightily with the liberal philosophy of most environmentalists" just isn't true. I am an archconservative, as are most of my friends. We are all small businessmen who want to "stay the course."

We do, however, cherish our national forests and wilderness areas here in Montana. There is absolutely no reason to rape wilderness areas for oil, or anything else, until all other sources have been exhausted. We are prepared to die to preserve these few areas. Can't we hand down to our children one thing that really has meaning?

Perhaps there are some people in our country who are not antidevelopment liberals but still care for our environment.

ED WOLFF, D.V.M.
Big Sky Veterinary Clinic
Missoula, Mont.

I would like to present a strong argument against environmental extremists who seek deindustrialization.

My point is simple. About 35 years ago a fanfare should have sounded to announce a historic event: "The numbers of mankind have just reached the natural life support capacity of the earth." That was the last time the productive land area could provide for the earth's population in an unmechanized mode. Since then the population has probably grown by at least one third.

We must now rely on industrialization for our food, clothing and shelter. The only alternative is to reduce the world's population by a third.

H. F. REICHARD
Pittsburgh

I am appalled by the vicious campaign that terrorists in the environmental community are waging against our capable and intelligent Secretary of the Interior, James Watt. I am all for clean air and clean water, but these extremists in the environmental cause are similar to the radicals who have taken over the movement for the Equal Rights Amendment.

A tip of the hat to our courageous Secretary of the Interior.

CHARLES S. PEETE, JR.
Memphis

As an owner of a small business, a member of the U.S. Chamber of Commerce and a volunteer for several environmental organizations, I was insulted by your article. You stated that the authors of two books "viewed the core of the environmental movement as the province of an elitist group reluctant to share with others the fruits of its own economic progress."

My colleagues in the environmental movement work for oil companies, state and local governments, and other small and large businesses—representing a broad cross section of occupations. We are interested in the conservation of natural resources for our generation and those to come. We feel James

Send letters to Editor, NATION'S BUSINESS, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

S-10 CONQUERS BAJA.

A TOUGH CHEVY S-10—THE ONLY STOCK PICKUP TO TAKE ON THE BRUTAL BAJA 1000 AND FINISH—IS READY TO TACKLE YOUR FLEET CHORES.

On November 3, 1982, a Chevy S-10 Pickup—right off the assembly line—challenged the famous Baja 1000. It's the longest off-road event on the continent, running the length of the Mexican Baja peninsula. Over 985 miles of rocks, sand, dust and heat. A course so tough that even many modified trucks did not finish.

But the stock S-10 4X4 pulled it off, equipped only with optional V6 engine, High-Altitude Package* and Off-Road Chassis Package—plus special safety items required by the race sponsors.

And that says a lot about what S-10 can mean to you, because a truck tough enough to beat the brutal Baja is a truck that's ready to handle your kind of fleet chores.

S-10 advantages for fleets.
The S-10 has more rugged double-wall construction in the cargo box side panels than the leading import and available V6 power no import pickup offers.

What's more, no truck in their class beats the S-10 4X4 or 2WD pickups in towing capacity—5000 lbs. when properly equipped. And they have bigger available payloads with the V6 engine and heavy-duty payload option than some standard full-size pickups (up to 1625 lbs. including people and cargo).

Chevy S-10 Pickup, Maxi-Cab and Chassis-Cab models.
S-10 4X4 Pickup was tough enough to beat the Baja. It's tough enough to take on your fleet chores with a wide selection of models and box sizes.

Some Chevrolet trucks are equipped with engines produced by other GM divisions, subsidiaries, or affiliated companies worldwide. Ask your dealer for details.

Let's get it together... buckle up.

*High-Altitude Package not available in California.

THE NEW-SIZE CHEVY S-10

CHEVROLET

TOUGH CHEVY TRUCKS ARE TAKING CHARGE

Watt's actions in some areas are shortsighted and that he is willing to sacrifice long-term preservation for short-term goals.

Secretary Watt would seem to be at odds with a recent Harris poll that shows a strong majority of people in this country continues to suppport vigorous and uncompromising environmental protection.

MARY ELLEN WHITWORTH
Houston

There are two serious distortions in "Behind the Campaign Against Watt."

First, the National Wildlife Federation did not endorse President Carter in 1980. By law, the federation cannot and does not get involved in electoral politics. Nevertheless, a poll of our members taken after the 1980 election showed that they voted 2 to 1 for Reagan over Carter.

Second, contrary to your article, the grass-roots membership of the federation strongly opposes the anticonservationist policies of Secretary Watt. Every poll of our membership shows that the opposition to Watt is growing. The most recent poll indicates that our members now also have very serious doubts about the conservation policies of President Reagan, with 61 percent rating his natural resource policies as "poor."

JAY D. HAIR
Executive Vice President
National Wildlife Federation
Washington

The two books cited in "Behind the Campaign Against Watt" can hardly be called studies, and the so-called results are barely more than extremist and alarmist personal opinion from the far right. Perhaps you missed some more authentic studies showing that the great majority of corporate executives supports environmental causes and that well over half would like to see a cleaner environment even if it costs a few more jobs.

Environmentalists do think that "man's basic nature is thwarted by the constraints of civilized living," but the conclusion that they are therefore working for the collapse of industrial civilization is ludicrous.

I am a regular reader of NATION'S BUSINESS, I am a corporate executive, I am a Republican and I am an environmentalist.

I think you owe me an apology.

STEPHEN A. THOMAS
Milwaukee

I agree that our country should make environmental decisions based on careful analysis of the costs and benefits of all reasonable options—not simply by reacting in a knee-jerk fashion that serves one political ideology at the expense of all other concerns.

As your article clearly points out, some environmental extremists don't abide by this philosophy. Perhaps you could also let us know when Secretary Watt intends to abide by it.

STEPHEN JACOBSON
Riviera Motors, Inc.
Hillsboro, Ore.

Though most NATION'S BUSINESS readers would consider me an environmental extremist, I found the article on James Watt instructive. In the environmental realm I am a strict constructionist, and I have no intention of allowing the movement to be absorbed by interests that are tangential or irrelevant. Those interested in arms reduction, women's liberation or gay rights may have their points, but they are not points to be made as environmentalists.

G.M. ROSS
Kissing Rock Farm
Lowell, Mich.

"Behind the Campaign Against Watt" is an insult to those of us in the private sector who are interested in maintaining a balance between wilderness preservation, environmental sanity and the needs of a healthy, prosperous economy.

I am grateful for people and organizations who are concerned about preserving our natural environment. The business community has an obligation to society to protect and preserve the environment even if it means some loss in short-term gain or profit.

ROBERT W. GRANT
Norwell, Mass.

Computer standards

Re: "The Spreading Computer Revolution" [February].

Besides the Transportation Data Coordinating Committee and the Uniform Communication Standard, which were mentioned in the article and relate primarily to the transportation and grocery industries, respectively, there is another effort under way to standardize business transactions for electronic interchange.

For the past three years a committee of the American National Standards Institute has been developing standards for order placement and processing, shipment and receiving information, invoicing, payment and cash application. Representatives from more than 70 organizations have worked with the committee to develop recommendations, which are to be approved soon.

National standards in these areas will shortly be a reality.

E.F. FISCHER
Vice Chairman
American National Standards Committee
St. Paul, Minn.

RCA

IRS Plans Changes in Rules for Partnerships

If your small business is a partnership, there could be some changes ahead in the way you report income, gains or losses, deductions and credit distributions among the partners on your income tax return.

Under regulations proposed by the Internal Revenue Service, such changes generally won't be applicable until after December 31. They could affect taxable years as far back as 1976, though, because they implement part of the Tax Reform Act of 1976.

Under Section 704(b) of the tax code, as amended by the 1976 act, a partner's distributive share is determined in accordance with his interest in the partnership if (1) the partnership agreement does not provide for the distributive share or (2) the allocation to the partner under the agreement does not have substantial economic effect.

If the partnership agreement is not clear-cut, the IRS proposal calls for determining it by looking at the underlying economic arrangements. If those arrangements can't be determined, each partner's interest will be presumed to be equal.

To determine whether an allocation has substantial economic effect, IRS proposes a two-part test. The allocation must have an economic effect, and the effect must be substantial when weighed against the shifting tax consequences that result from the allocation.

IRS published the proposed regulations in March and has scheduled a hearing for public comment on May 4 in Washington.

Thinking Small— On a Global Scale

In recent years small business has been getting greater attention in the United States and it is not far behind in the rest of the world.

International small business conferences have been held in Spain and Japan, and one is scheduled for Singapore later this year. In Malaga, Spain, 62 countries were represented. At that meeting Dutch entrepreneur Bert Twaalfhoven observed: "Although the climate today in Europe is extremely difficult—even more difficult than in the United States—the small business owner who finds his market niche and has the flexibility to move into that niche will be successful in the 1980s."

Small Business Administration head James Sanders observed: "People in the United States and other countries may now have to learn two or even three trades in one lifetime because we have lost the leadership in such industries as autos and steel.

"But government cannot change that reality. What we can hope is that small businesses, which can turn around faster than the big corporations, will invest in new and promising industries and lead the nation out of the current recession."

Absent from discussions among small business experts, especially those from Western Europe and North America, was talk of government involvement in the development of small business. W.H. Rompkey, who is Canada's minister of small business, says, for example, that his country's approach is to stay out of the way of the small business owner and clear away obstructions to growth.

A Plea for Firmness On Estate Taxes

Responding to calls on Capitol Hill for repeal of the estate tax provisions of the Economic Recovery Tax Act of 1981, the National Association of Wholesalers-Distributors warns that estate taxes are the single greatest obstacle to perpetuating independent family-owned businesses.

ERTA raised the estate tax exemption in steps (from $175,000 before the law's passage to $600,000 in 1987), lowered the maximum tax rate on the nonexempt portion in steps (from 70 percent pre-ERTA to 50 percent in 1985) and allowed current-use evaluation for small businesses in determining the amount of an estate when property is willed to family members.

Repeal of these provisions would be disastrous, warned John H. Fitch, Jr., vice president for government relations, in testimony before the Senate Select Committee on Small Business. "This committee must stand firm against any such efforts," he said.

In laying out his trade association's legislative agenda, Fitch said that, in addition to reducing interest rates and government spending, "capital formation and retention is the most important issue for our members."

NAW also urges passage of a bill introduced by Sen. Robert Kasten (R-Wis.) that would create a uniform product liability act, specifically restoring the negligence-fault standard. This, says NAW, would allow a reasonable defense by sellers of allegedly defective products when suit is brought.

Scheduled Rises In Estate Tax Exemption

1982	$225,000
1983	275,000
1984	325,000
1985	400,000
1986	500,000
1987	600,000

Top estate tax rates: 65 percent for someone dying in 1982; 60 percent, 1983; 55 percent, 1984; 50 percent, 1985 and thereafter.

FINANCE

A New Source of Mortgage Dollars

PHOTO: WILLIAM F. GOOD—UNIPHOTO

Letting pension funds invest in mortgages might give a lift to the housing industry.

With nearly $400 billion now in private pension fund assets, moves are afoot in Congress to help the housing industry by making some of that money available for the financing of residential mortgages.

A bill introduced by Reps. Ron Wyden (D-Ore.) and Richard Gephardt (D-Mo.) would allow private pension fund managers to engage in a broad range of residential mortgage investment activities. Pension plans could participate directly or indirectly in the financing, purchase or sale of mortgages and mortgage-backed securities for single-family and multifamily properties.

According to Wyden, the legislation would give the housing industry "a much-needed shot in the arm" without costing taxpayers anything or posing a risk to pension plan beneficiaries.

Another bill, by Rep. Joseph Addabbo (D-N.Y.), would permit investment in residential mortgages by employe benefit plans.

In the Senate, Lloyd Bentsen (D-Tex.) is sponsoring a bill that would eliminate federal taxes on residential real estate investment by foreign pension plans, if those plans are comparable in structure to U.S. plans that are already allowed to invest on a tax-free basis. Estimates are that the total assets of pension plans maintained just by companies in Britain, the Netherlands and Japan now exceed $200 billion.

Making a Compact To Work for Growth

A new private sector initiative—"community compacts"—might re-energize long-term industrial recovery in the United States, according to the Society of Industrial Realtors.

The idea calls for a community's leaders—representing government, business, labor and civic groups—to set economic goals for their area's industries and assist them in "becoming more productive and competitive in the domestic and export markets," explains Robert Boley, the society's executive vice president.

Boley stresses that the idea of compacts is not new. Social compacts have been used successfully in such homogeneous countries as Germany and Japan, where, he says, "management, labor and government pool together in what is often a productive coalition, which enables the country as a whole to compete in the world market."

Although a social compact would not work on the national level in the United States, given its size and diversity, Boley points out that this country has a "long history of coalescing on a community level."

Boley cautions that a compact should be an "informal self-help network" and should not interfere with existing groups like local chambers of commerce and labor unions.

Members of the society's community services council will formulate a prototype plan, then take it back to their cities to see how it works.

DEFENSE

A Sobering Review of Emergency Plans

Federal officials who are paid to think about the unthinkable are quietly revising the nation's procedures for dealing with emergencies ranging from nuclear attack to terrorist strikes. Defense-related companies, transportation industries and utilities must be better secured against sabotage, the Federal Emergency Management Administration believes. In reforming a 13-year-old national mobilization policy, FEMA official Joseph Moreland says, the agency is trying to bring its methods "into the 21st century."

Well-trained terrorist infiltrators could, he fears, "bring down more than a significant part of our electrical system," a concern that has FEMA carefully studying vulnerable points in the U.S. power grid system.

Another concern is how to protect ports from sabotage and how to keep essential firms operating.

"There's a lot to be done," Moreland admits. The first step has been to better coordinate federal management. The next major phase will be to work more closely with industry to ensure effective cooperation in responding to disasters.

FEMA is seeking an increase in civil defense funding, from $147 million in fiscal 1983 to $253 million in 1984. It is also giving more attention to the handling of natural disasters like tornadoes and hurricanes.

The Metal Noose Grows Tighter

Fearful that the Soviets could choke off imports of vital metals needed for defense hardware, the Reagan administration is pushing for bigger stockpiles. The administration wants funding of $120 million in fiscal 1984 for the stockpiling of many strategic metals.

As recently made clear in *The Strategic Metals War*, a book by James Sinclair and Robert Parker, the Soviet Union and other nations under Marxist control or influence are major sources for many metals essential to the manufacture of high-technology weapons. A wartime surge in defense manufacturing could quickly absorb existing stocks of metals like chromium, cobalt, manganese, nickel and platinum.

Sinclair and Parker warn that Soviet foreign policy appears increasingly geared toward reducing American access to metals this country gets from

PHOTO: TOM NEBBIA—WOODFIN CAMP

Chromium mining in Zimbabwe. The metal is among those vital to U.S. security.

already unstable regions like southern Africa.

The two writers, and the Reagan administration, fear that Third World nations in political turmoil are producing fewer metals than American defense contractors need and that these countries may begin demanding far more concessions for their raw materials.

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Dodge Ram 150 and Ram 250 come standard with the famous 3.7 liter (225 CID) Slant Six engine. It has over 20 years and over 50 billion road miles of reliability built in. And Dodge teams it with an economical 0.73:1 overdrive ratio 4-speed manual transmission and a hardworking 3.55 axle ratio.

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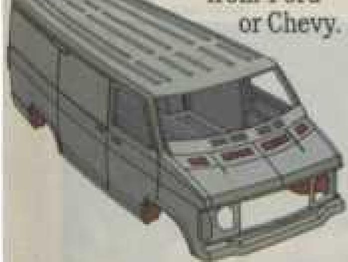
And Long Range Ram gives you a standard bright grille package plus quad headlamps and halogen high beams. You won't get that from Ford or Chevy.



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Dodge gives you three optional V-8's: the dependable 5.2 liter (318 CID) 2- or 4-barrel, and in some models the mighty 5.9 liter (360 CID) 4-barrel that burns regular gas.

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Easing the Burden of Farmers' Debt

Relief is in the works for farmers staggering under the dual burden of depressed crop prices and heavy debts.

Both the Senate and House agriculture committees have approved bills allowing the Secretary of Agriculture to defer farm debt repayments to the government and loosen other forms of credit. The House bill is more generous to the farmer, but both measures call for increasing the amount of money a farmer can borrow, earmarking funds for poorer farmers and reviving an economic emergency loan program with an infusion of $600 million. The Reagan administration opposes the emergency feature.

The House panel's measure—expected to pass the House but to run into trouble in the more cost-conscious Senate—would hike federal authorizations for farm operating loans by $200 million, to $1.6 billion for the current fiscal year.

The bill would also increase some farm real estate loan ceilings by 50 percent and others by 100 percent.

Under the bill, the Agriculture Department would be able to continue to re-evaluate, on a case-by-case basis, a farmer's ability to repay loans. The loans would be subject to renegotiation, reamortization or outright deferral. Both committees sidestepped a controversial proposal for an absolute moratorium on farm debt.

PHOTO: DAVID R. FRAZIER

The farm economy—and sales of farm equipment—may be stimulated.

Gloomy Forecasts For World Food Output

U.S. Agriculture Department experts are painting a dreary picture of world food production in the decades ahead.

A Washington-based independent research group, Worldwatch Institute, has found that similar predictions are being made by United Nations food authorities and economists at World Bank headquarters in Washington.

Lester R. Brown, director of Worldwatch, warns that the 1973 oil price increase by the Organization of Petroleum Exporting Countries triggered a set of worldwide crop problems expected to accelerate into the next century.

"Petroleum prices went up and oil production declined from 1973 forward," says Brown. "From 1950 until 1973 growth in world food output consistently outpaced that of population, but since then has barely kept pace."

Dramatic improvements in cropland productivity after World War II depended heavily on chemical fertilizers based on oil and natural gas. But Brown says high petroleum prices have curtailed the use of fertilizers, especially in many of the poorer nations, causing reductions in food production and "guaranteeing that future food output gains will be more costly."

Brown adds that the decline in food production has been accompanied by a decline in the world fish catch and in the grasslands used to feed cattle.

The World Bank forecasts a decline in living standards for much of the world.

A Faster Track for Nuclear Plants

Hoping to speed up federal approval of new nuclear power plants, the Reagan administration will push Congress this year for more streamlined licensing and regulatory rules. The proposed legislation will also provide for more public participation in reviewing construction plans, says the Department of Energy.

"The primary purpose of this legislation," Assistant Energy Secretary Shelby Brewer says, "is to create a framework in which safety is the primary focus and to establish a stable regulatory system that will allow nuclear power to be considered as an energy option in the future."

If the current process is not altered, Brewer warns, "it could result in the elimination of an important energy option vital to our long-term energy security."

The legislation gives the Nuclear Regulatory Commission, which approves new plants, the power to allow companies to apply for a construction permit and operating license at the same time. It authorizes NRC to approve designs for plants before a company begins the costly, time-consuming application process.

President Reagan is putting the legislation at the top of his administration's shopping list. He has urged Congress to give it "immediate priority attention."

Real Hope for Progress On Coal Gasification

A major breakthrough in converting coal into gas is expected by early fall, when scientists in Washington State will complete testing a new method for extracting gas from underground coal deposits. Coal gasification efforts have been stalled for years because initial research showed that coal gas would be much more expensive than coal or oil.

But at Centralia, Wash., federal and industry fuel experimenters hope to show that the controlled retracting injection point technique will draw much more gas from coal seams than originally thought possible, perhaps enough to make coal gas financially more attractive to power plants and chemical companies.

Coal gas is produced by drilling boreholes into a seam, igniting the coal and injecting air and steam into the fire. The process releases energy-rich gases, which are piped to the surface. In the past, extractors have been unable to tap the whole seam; the combustion zone tends to move upward, wasting gas at the bottom of the deposit.

The new procedure involves boring horizontally instead of vertically, and the Washington Irrigation and Development Company believes this will capture much more gas. WIDCO's results will be closely studied by the Department of Energy, which provided a $3 million grant for the operation, and by the Gas Research Institute, a scientific arm of the gas industry.

PHOTO: TED CHARLES—UNIPHOTO

A new method may make coal gas competitive with other fuels.

U.S. Firms Buying More Foreign R&D

PHOTO: CHUCK O'REAR—WOODFIN CAMP

The R&D work Japan is seeking from abroad would be performed by highly organized groups like this one.

Spending by U.S. industry for research and development in foreign countries has climbed rapidly in recent years and is expected to rise dramatically through the mid-1980s.

One survey of 85 major American manufacturers shows that by 1985 they expect an 11.5 percent increase over this year's $1.5 billion in their foreign R&D allocations.

Domestic R&D, in fields that range from aircraft and missiles to chemicals, heavy machinery and electronic equipment, is being lured away to a number of countries.

Japan, for instance, offers more incentives to attract R&D business than any other nation. England and Canada offer 100 percent first-year allowances on capital expenditures for scientific research. Belgium allows certain new assets acquired by a company to be depreciated at 110 percent of their cost in three years.

West Germany, Australia, France and the Netherlands are other countries doing a booming business in private R&D contracts from the United States because of inviting "sweeteners" in their tax laws.

The flow of American R&D to foreign countries has created concern in Congress. "If America is to maintain its leadership in high-tech industries, this trend cannot be allowed to continue," says Rep. Fortney H. Stark (D-Calif.).

Stark and Sen. Malcolm Wallop (R-Wyo.) are sponsoring bills that would eliminate a tax incentive for U.S. firms to have R&D done abroad.

The Growing Plague Of Bogus Products

The Justice Department estimates losses to American firms are running at $16 billion a year because of international counterfeiting of commercial products.

"In many countries, counterfeiting has come out of the back alleys and dark garages of the slums and into the mainstream of commerce," says Sen. Charles Mathias (R-Md.), who in March introduced legislation to crack down on counterfeited products.

Such products include far more than designer jeans.

Counterfeits have turned up as rotor gears in helicopters, brake drums in buses and components in heart pacemakers. The bogus pacemaker parts were traced to Italy, the brake drums to Hong Kong.

The Mathias bill would impose criminal penalties of up to five years in prison and $250,000 in fines on those caught trafficking in counterfeited goods.

Tax Choices: Which Is the Least Bad?

Among the alternatives for raising more federal revenue, a consumption-based tax is preferred by 70 percent of the top executives at the nation's largest corporations, according to a recent survey. The executives made clear, however, that they prefer spending cuts to tax increases of any kind.

A flat-rate tax with limited deductions came in a close second. It was selected by 69 percent of the respondents, who were asked their opinions on six possibilities. A tax on energy consumption garnered a slim affirmative vote of 52 percent. On the other hand, 51 percent disliked an income tax surcharge, 65 percent rejected a tax on employe health benefits, and 70 percent opposed tariff increases.

Although the respondents heavily favor spending cuts to reduce the deficit, only 10 percent expect Congress to solve the problem that way. Tax increases are anticipated by 43 percent, and 47 percent foresee a combination of the two options.

The qualified backing for a consumption tax is significant, since this type of tax has solid support within the Reagan administration. It will certainly be a leading contender if federal officials decide the time is ripe for a major overhaul of the nation's tax system.

(A consumption tax applies only to income that is spent. Income saved or invested is not taxed until spent.)

The Deficit Impact Of Lower Oil Prices

Will the petroleum price cuts result in a larger or smaller federal budget deficit?

Business people have two good reasons to' be concerned about the question.

First, many economists believe that an unusually large deficit during the recovery would raise interest rates. And second, fear of the deficit is being used by politicians to campaign for tax increases.

Unfortunately, two of the reigning authorities on such matters in Washington have issued contradictory opinions. Budget Director David Stockman told the Senate Appropriations Committee that the short-term effects on the deficit would be "a wash" and the long-term effects would be unfavorable.

In the other corner, the Congressional Budget Office, headed by Alice Rivlin, projected that a $6 per barrel cut—if sustained—would reduce the 1988 deficit by $31 billion, raise real gross national product for that year by 1.3 percent and lower the consumer price index by 1.8 percent and the unemployment rate by 0.5 percent.

Why the difference? Stockman's analysis deals only with "static" effects. That is, the budget situation if the impact of lower oil prices on the economy is ignored. But that impact will obviously be large. The CBO analysis includes such larger effects.

PHOTO: RODNEY E. MIMS—UNIPHOTO

PHOTO: SKIP BROWN

Alice Rivlin and David Stockman: Their deficit estimates differ—or do they?

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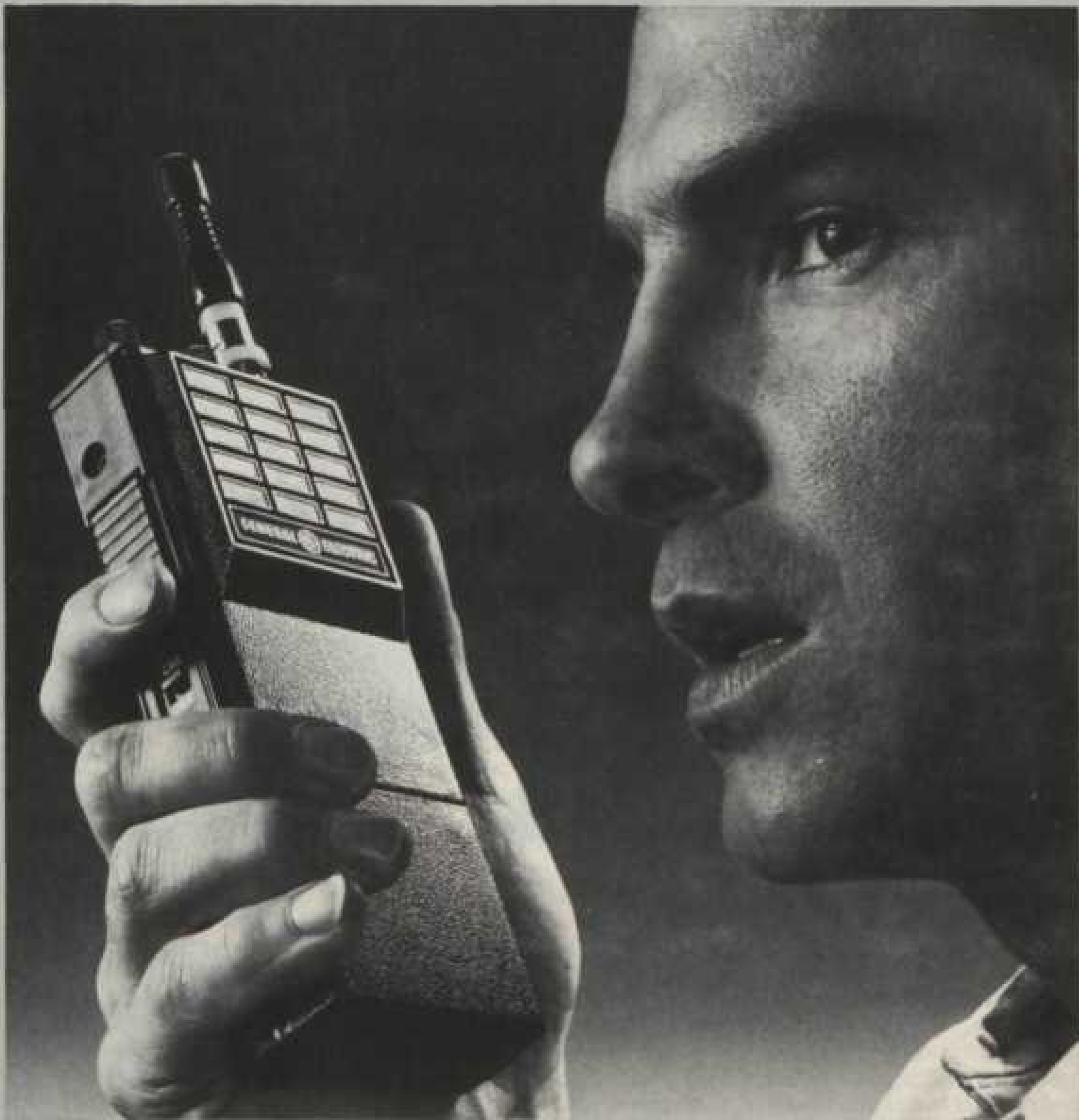

It's the latest advance in making radio communications fully convenient and trouble-free. The GE MPI. So compact it'll slip into your pocket. So solid it'll stand up to on-the-job handling year after year.

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GENERAL ELECTRIC

PHOTO: NIK WHEELER—BLACK STAR

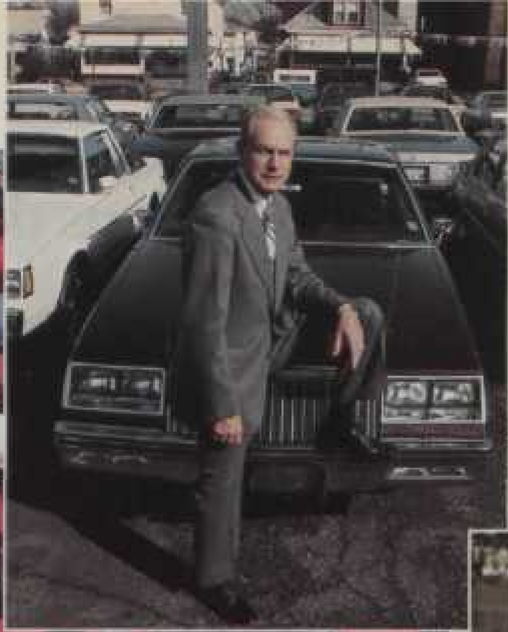

PHOTO: DAVID VALDEZ

Japanese-made imports like these Mazdas have made life harder for U.S. auto companies, but industry people like Ford designer John Telnack (below) and William Turnbull (left), auto dealers association head, hope for a turnaround.

PHOTO: FORD MOTOR COMPANY

How U.S. Automakers Are Fighting Back

Battered by imports and recession, the industry is investing $70 billion in a supercharged plan for recovery.

By Seth Kantor

JOHN TELNACK leads his visitor through the well-guarded doors of Ford Motor Company's design center in Dearborn, Mich., where work is under way on 1987 cars. As Ford's chief designer for North American automotive operations, Telnack is a key figure in an industry that is investing more than $70 billion in 47 new engine and transmission facilities and 80 assembly plants—and in retooling for the 21st century.

In a courtyard, Telnack shows off a full-scale, fiberglass prototype of a 1984 Mark VII, next model year's top-of-the-line Lincoln at $20,000 plus. It differs radically from traditional Lincolns—just as the entire U.S. auto industry is changing dramatically to meet the challenge from foreign competitors.

Detroit is in an all-out fight. Preliminary findings from a detailed study at the Massachusetts Institute of Technology indicate that only seven to nine auto manufacturers, worldwide, can expect to survive into the next century.

American manufacturers are still reeling from a contradictory recession—interest rates remained high despite widespread unemployment and poor retail sales generally.

Only 5.8 million new American-made cars were sold in this country last year, a 21-year low and a grim 40 percent below the record total of 1973, when 9.6 million were sold.

The recession intensified what was already a serious problem for the domestic industry—competition from imports, primarily Japanese.

W. Paul Tippett, chairman and chief executive officer of American Motors Corporation, gives this perspective:

"In 1958, the first year the Japanese produced a completely Japanese-designed and Japanese-manufactured car, they produced a total of 333,000 cars and trucks. This year the Japanese are expected to produce a total of 12 million vehicles."

The present situation, in which the United States is building less than 20 percent of the motor vehicles sold throughout the world, is a stunning reversal of the dominance that the American auto industry enjoyed just a generation ago.

In 1950 the United States produced more than 75 percent of the motor vehicles sold in a war-battered world. The U.S. industry's pre-eminence was most secure at home; in 1957, for example, of the 6 million new cars sold in this country, 5.8 million, or 96.6 percent, were American-made.

LAST YEAR, total sales in the United States had risen to 8 million, but the American manufacturers' share had shrunk to 72.2 percent—they were selling the same number of cars as in 1957.

The U.S. auto industry now stands in the shadow of the Japanese industry, which will produce more than one third of the world output of cars this year—

roughly twice the U.S. share of the world market.

In 1957—a year when Detroit turned out more cars in 10 days than Japan did in the entire 12 months—Japan exported only 440 cars. Now it exports 4 million a year.

Undaunted by such formidable competition, the U.S. auto industry is launching an all-out campaign that amounts to what Philip Caldwell, chairman of the Ford Motor Company, calls "the biggest industrial revolution in world history." Its principal components are:

• A $70 billion investment in new plants and machinery.

• Redesign and restyling to improve appearance, performance, economy and efficiency.

• Sharply improved productivity through better labor-management relations as well as capital investment.

• Significant reduction in federal regulations that add to costs.

Industry critics argue that the Detroit recovery plan is, in large measure, based on techniques that Japan's auto industry has long been using to build its industry to the present level.

PHOTO: SHEPPARD SHERBELL—PICTURE GROUP

PHOTO: GENERAL MOTORS CORPORATION

Detroit is on the rebound. Computers help design cars and robots carry out difficult welding tasks. Chrysler Chairman Lee Iacocca, who led his company back from the edge of bankruptcy, is now putting together a new campaign to encourage consumers to buy autos and other products made in America.

But V.J. Adduci, president of the U.S. Motor Vehicle Manufacturers Association, suggests that the Japanese had the good fortune to be "at the right place at the right time with the right vehicle" a decade ago.

Because of high fuel costs and narrow roads, he explains, the Japanese had long been producing smaller, fuel-efficient vehicles and thus were ready for the explosive demand for such cars when the oil embargo of 1973-74 turned American consumers in that direction.

General Motors Chairman Roger B. Smith has declared, "We all know that the Japanese are very efficient producers, and they now have the capacity to build small cars and ship them here at costs far below our own."

To improve its own efficiency, the U.S. industry has been investing in new production facilities that range from robots to assembly plants. "To illustrate the magnitude of that effort," says Ford Chairman Caldwell, "one of Ford's new engine plants has a continuing line of computer-controlled machine tools that stretches one third of a mile in one direction, then back again for another third of a mile and forward again for still another third of a mile."

GM has more than 1,850 robots on hand or on order and expects to be using 14,000 by 1990.

In addition to acquiring robots and other modern equipment, Detroit is adopting a Japanese practice known as *kanban*, a system under which parts are delivered to production lines from strategically located suppliers, rather than having them warehoused at high inventory cost until needed.

(This approach offers increased opportunities to small firms that are suppliers to the auto industry. Under an arrangement with American Magnetics, of Valparaiso, Ind., for example, GM has reduced its inventory of ferrite magnets from six weeks to six days. The prospect of continued production has enabled American Magnetics to cut its prices to GM by 40 percent.)

The product resulting from the massive changes in equipment and procedures, says Ford designer Telnack, will answer the car-buying public's demand for "a departure from that Detroit living-room-on-wheels look. What's emerging now is a driver-oriented, aerodynamic machine."

Today, says Adduci, "American manufacturers can compete with imports ... head-on in safety, performance, reliability and fuel economy.... Today's American-built cars are 66 percent more fuel-efficient than they were in 1975. That, in itself, is a remarkable turnaround."

ON THE LABOR FRONT, the auto industry offers examples of pressure on organized labor to be more concerned about the economic survival of employers as critical to the survival of jobs, as well as to the unions' hopes for higher pay and benefits.

GM Chairman Smith says, "You might say that, in the labor area, foreign competition has done for us what we could not do for ourselves."

Organized labor has shown increasing willingness to help American business reduce costs, increase efficiency and become more competitive internationally, Smith adds. "I believe one of the most valuable benefits foreign competition has brought to American business is the progress we have made in establishing a viable bond of enlightened self-interest between employes and management."

Government regulation, however, remains one of the industry's most press-

ing problems. The Motor Vehicle Manufacturers Association has targeted 34 specific regulations that will cost the industry $1.4 billion in capital expenditures and add $9 billion to car buyers' costs over the next five years. These rules could be modified or repealed without adverse effects on safety or the environment, the industry says.

A specific case is Federal Motor Vehicle Safety Standard No. 108, which 43 years ago outlawed use of bulbs in headlamps in favor of sealed-beam lights. The bulbs, it was said, were subject to moisture and corrosion that weakened their power. Ford has developed a bulb-using aero-headlamp that engineers say is as efficient as a sealed-beam light, but cheaper. Use of the lamp could save consumers $1 billion a year, designers say.

William C. Turnbull, a Buick dealer in Huntington, W.Va., and current president of the National Automobile Dealers Association, says the industry does not oppose all federal regulations blindly, but it asks that Washington "keep in mind that cost analysis is vital and that costs must be weighed against effectiveness. In other words, do the benefits outweigh the cost to consumers?"

(NADA's ranks are another reflection of what has happened to the American auto industry. Four years ago, NADA had 23,000 members selling new and used cars. Today there are 18,300.)

Although the main emphasis of the industry's recovery program is on a competitive product at a competitive cost, some quarters are pressing for varying degrees of protectionism.

One of the most visible of these efforts is the drive in Congress for enactment of legislation designed to decrease imports sharply by specifying the amount of "domestic content" in vehicles sold in this country.

The legislation, which draws major support from organized labor and its allies in Congress, is aimed squarely at Japan. It probably has enough support to pass the House at this point, but not the Senate. Its chief sponsor in the Senate, Donald W. Riegle (D-Mich.), says it would preserve or create a million jobs in the auto industry, including suppliers.

President Reagan has vowed to veto a domestic content bill if one clears Congress, because the idea runs counter to his efforts to expand global trade.

Robert A. Perkins, Chrysler Corporation's vice president for Far East affairs, expects a serious push for a domestic content bill in the spring of 1984, when the Democratic presidential primaries are in full swing. Also, a three-year program of voluntary restraints by Japanese producers on auto exports to the United States will end then.

Perkins says Chrysler "would rather have the Japanese voluntary restraints continue, but we are interested in taking a look at domestic content legislation."

Ford and GM are strongly opposed to such legislation, as are leaders in other major industries who fear retaliation in world markets for any protectionist moves by this country. Chrysler Chairman Lee Iacocca, however, is quietly lining up top executives from various industries for a drive to promote American-made goods.

An overview of the U.S. auto industry as the midpoint of 1983 approaches shows grounds for optimism that the "revolution" will succeed.

Sales and production are both up substantially this year. Early April sales were up nearly a third over the same period a year ago. The Commerce Department predicts 1983 sales will total 9.2 million cars, a 16 percent jump.

Says the Motor Vehicle Manufacturers Association's Adduci: "The numbers we're seeing these days—though they have the ups and downs so familiar to anyone who has followed our industry over the years—are indeed brighter. Although we're not yet ready to say we're completely out of the woods and the economy is back on track, we sure see some light up ahead." □

The ABCs of QWL at GM

"The future of the automotive industry will be more evolutionary than revolutionary," says General Motors President F. James McDonald. But an idea that GM has put into practice in many of its plants could in fact be revolutionary.

PHOTO: GENERAL MOTORS CORPORATION

Bearded Billy Goens, coordinator of a QWL unit, discusses a job plan with Buick coworkers (from left) "Liz" Lynch, James Warner and Jim Brown.

The idea—known as quality of work life, or QWL—"is moving like a wave across the entire industrial scene of the United States," says Irving Bluestone, professor of labor studies at Wayne State University and a former vice president of the United Automobile Workers.

QWL gives production-line workers more control over how they perform their jobs. "There are many fancy definitions of QWL," says Byron P. Crane, GM's director of labor relations, "but really they all boil down to treating people as adults when they are at work."

For example, QWL has been introduced at Buick plant No. 81 in Flint, Mich. Before, says Billy Goens, a veteran of 30 years on Buick assembly lines, "the orders came from above. If there was a problem with parts being produced on the line, you didn't stop producing until you were told to by a supervisor. You might have a whole day of nothing but junk."

But now, under QWL, a worker like Goens can stop the line when there is a problem. His work unit determines what went wrong and fixes it before starting up again.

There have been other changes. Workers at No. 81 no longer punch a time clock; instead, they report their hours on an honor system. Workers who master additional tasks get more pay.

Goens, who as a QWL coordinator is in charge of a work unit, says that "morale is real good" at No. 81, a torque converter factory.

QWL seems to work best at such component parts plants. The idea—imported from Sweden, not Japan—was introduced a decade ago, with Bluestone's help, at Harman Automotive Industries, of Bolivar, Tenn., a manufacturer of rear-view mirrors.

Worker morale climbed quickly at Bolivar, and soon GM became interested in QWL. It has now been implemented in 85 GM plants. Ford has put its version into 45 plants, and Chrysler is trying the idea at 17.

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Good News For Small Business Borrowers

A program giving banks more say on SBA-backed loans is expected to speed decisions—and lower interest rates.

By Grover Heiman

MICHAEL ROSENBERG, president of an Elizabeth, N.J., wholesale drug firm, recently applied for a $700,000 Small Business Administration-guaranteed loan from the National State Bank of Newark.

He was prepared for a long wait, but Ben Berzin, a bank vice president who handles such loans, told him that the process had been streamlined since Rosenberg's firm, Selby Drug Company, got an SBA-guaranteed loan in 1981.

Under the new preferred lender program, Berzin told him, the bank could approve a guaranteed loan itself, without referring the loan to SBA for final approval. National State, like several other banks in the Northeast—Chase Manhattan, Chemical and Citibank in New York City, Peconic Bank in Millville, N.Y., and National Community Bank in Rutherford, N.J.—is taking part in a one-year SBA pilot program that gives lending decisions to the banks.

Rosenberg was skeptical. In 1981 he had to pay for expert help in filling out the application papers, and nearly six months passed before he got a final answer.

Berzin urged Rosenberg to give the new program a try—fill out the papers over the weekend, he suggested. Rosenberg did; the papers were in Berzin's hands on Monday morning. The next day Rosenberg got a telephone call—he had the loan.

"It was simply unbelievable," Rosenberg says.

This saving in time is expected to be one of the great benefits of the program. In most cases, Berzin says, a lender can tell a prospective borrower immediately whether the borrower qualifies for a guaranteed loan, "so the borrower doesn't have a long sweat."

SELBY DRUG was the first firm to obtain a loan through the preferred lender program. Under PLP, SBA has assigned to the banks complete responsibility for paper work and loan approval on SBA-guaranteed loans over $100,000.

The SBA guarantee cannot exceed $500,000 or 75 percent of the total amount of the loan. On loans under $100,000, SBA will continue to have final approval—but it will guarantee 90 percent of the loan. So there is a tradeoff—the bank has more control over the loans under PLP, but it must assume a greater risk. On the loan to Selby, the bank is at risk for $200,000.

PLP is a step beyond an earlier SBA effort to simplify loan approval. Since 1979 SBA has authorized approximately 250 private lenders to participate in a certified lenders program, under which they have handled much of the paper work involved in guaranteed loan applications. Once a package is completed, however, the lender forwards it to SBA

Businessman Michael Rosenberg (left) was surprised at how quickly banker Ben Berzin (right) approved his request for an SBA-guaranteed loan of $700,000.

SBA Administrator James Sanders says the new program will rely on banks that show "commitment."

for final approval. SBA has aimed for a three-day turnaround but has rarely been able to meet that schedule.

The new program was proposed last fall by a special SBA committee on capital access. The 15-member committee—which included representatives of small business, banking, accounting, venture capital firms and SBA itself—spent four months examining means of making more capital available to small business at lower cost.

According to SBA Administrator James Sanders, the banks chosen to participate in PLP have taken part successfully in the certified lenders program. PLP banks "must have demonstrated a commitment to small business lending and must have excellent relationships with SBA offices," he says.

Under the program, the banks will, in addition to approving the loans, disburse and service them.

If there is a default, the lender will liquidate the business assets and collateral, a task normally handled by SBA.

James B. Ramsey, Jr., director of secondary markets in SBA's New York office, says he and other key SBA officials have no qualms about delegating this authority. "We intend to monitor this program closely," he says. "If there is abuse, we'll know almost immediately."

Ramsey is confident that the program will lead to lower interest rates for borrowers. "Under this program," he says, "the banks are allowed to make their own credit decisions, and I believe that interest rates will tend to move down."

Currently, SBA regulations specify that the maximum rate for loans of up to seven years is 2.25 percent above the New York banks' prime rate, and 2.75 percent above the prime for longer loans. "By putting on an artificial ceiling," Ramsey says, "you make people reach for the maximum."

Although PLP could lead to lower interest rates for those borrowers who qualify for loans, some borrowers will not qualify. The program is restricted to firms that have been in operation for at least two years and have a record of profitability.

SUCH LIMITATIONS reflect a general determination by the Reagan administration to tighten SBA loan programs. The SBA direct loan program is a disaster area—approximately 40 percent of the oustanding loans are in default. The guaranteed loan program is in better shape, but even there, defaults are on the rise, primarily because of the recession. In fiscal 1982, SBA spent $715 million buying defaulted loans; that amount represented 9 percent of the guarantees on such loans.

William H.J. Hoefling, a Chase Manhattan vice president who heads the business and credit management division, is confident that the default rate will drop, now that the private sector is being given more control over loans in exchange for assuming more of the risk. "There have been some real geniuses out there," he says wryly when discussing the default rate.

The Reagan administration, in its budget for fiscal 1984, has called for eliminating the SBA direct loan program, with the exception of $41 million for minority enterprises. It has asked for $2.4 billion in loan guarantees, however.

In its budget presentation, the administration said: "As a group, small business will benefit more from the administration's efforts to stabilize financial markets, reduce interest rates, eliminate burdensome regulations and lower inflation than from federal subsidies."

The administration's change in direction has not escaped the attention of Congress. Rep. Parren J. Mitchell (D-Md.), chairman of the House Small Business Committee, points out that SBA has reduced the dollar volume of direct and guaranteed loans by about half under President Reagan.

Says Mitchell: "I believe that the administration's efforts to eliminate the direct loan program and reduce drastically the guaranteed program are misguided."

DESPITE SUCH COMPLAINTS, the Reagan administration plans to keep pushing for a greater role for the private sector in the financing of small business—and the preferred lender program is an important part of that effort. Says Edwin T. Holloway, SBA associate administrator for finance and investment: "We are trying to emphasize the participation of the private sector, using the people who can do the job for us. We expect and anticipate responsible actions and decisions from the participating bankers. That is where we are placing our bets."

Under PLP, Holloway says, SBA will no longer monitor loans case by case, but bank by bank instead, at a significant cost saving.

Ralph Calabrese, vice president in charge of small business loans for Citibank, says that borrowers, lenders, SBA itself and the taxpayers will benefit from the reduction in SBA's workload. "Quite probably there will be management improvements to further lighten the paper work burden," he says, "and I think an end result will be for SBA to cut out some regulations."

SBA plans to test PLP in two more areas, most likely Kansas City and San Francisco. Holloway says that the next pilot program should be under way by next month. Eventually, when all of the kinks are worked out, PLP will become available throughout the nation. But for the time being everyone is proceeding cautiously, in an effort to make sure that the program has a fair chance to work.

For example, Calabrese says that Citibank will move slowly in implementing the new program, "so we don't end up tripping over our own stupidities. We'll fine-tune as we go along." □

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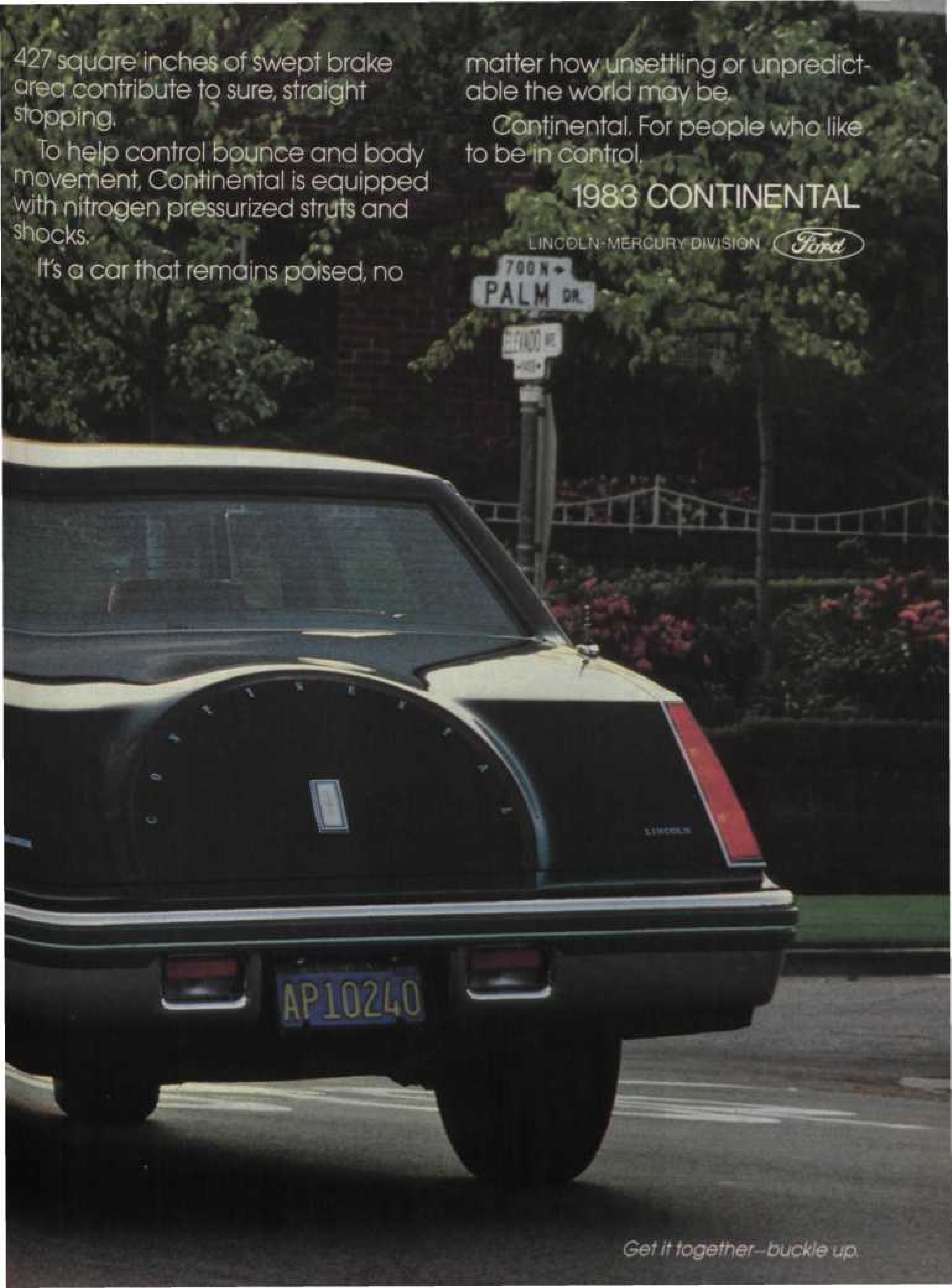
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Getting Back Into Shape

Two experts tell how you can start.

By Gabe Mirkin, M.D., and Mona M. Shangold, M.D.

WHILE WALKING toward the bus stop one evening after work, Greg B., a 45-year-old investment counselor, saw his bus starting to pull away. Trying to catch it, he broke into an all-out run.

The 100-yard dash was Greg's forte in his days as a high school track star. Now, dashing for the bus was more than he could handle. Gasping for breath, he stood at the corner and watched it disappear down the road. It was clear to him that he had lost the endurance and speed of his younger days.

As he waited for the next bus, he thought about how flabby and unfit he had become. How had he permitted this to happen? After all, his incredible drive had carried him to the top of a prestigious firm in less than 20 years. But the price of his success was a way of life in which he ate too much and exercised too little. It pained him to realize that at a relatively young age he was so overweight and out of shape that he didn't have the endurance to run a few yards to catch a bus.

Many of you are also missing the bus. But if you are healthy and sufficiently motivated, a few months of regular exercise should give you a trim, fit body. All you have to do is pick an activity that will make your heart beat rapidly for 30 minutes, three times a week. For fitness, you need do no more than that. Good choices for fitness include jogging, fast walking, cycling, swimming, riding a stationary bicycle, dancing, pulling on a rowing machine and jogging in place on a small trampoline.

GABE MIRKIN, M.D., is a nationally syndicated fitness columnist and broadcaster. His newest book, written with Laura Foreman, is Getting Thin *(Little, Brown & Company).* MONA M. SHANGOLD, M.D., *is assistant professor of obstetrics and gynecology at Cornell University Medical College and director of the Sports Gynecology Center at the New York Hospital–Cornell Medical Center.*

Before you start your program, check with your doctor. You will find out whether there are any special precautions that you need to follow when you exercise. Most people will have no obvious disabilities and will be ready to begin.

More than 65 percent of the people who start exercise programs drop out in the first six weeks because of injuries. To help protect yourself, follow these two simple rules:

- Exercise every other day, not every day—especially in the beginning. Your muscles are injured slightly every time you exercise. It takes at least 48 hours for them to heal. If you try to work out when your muscles are healing, you are more likely to injure them.
- Stop exercising when your muscles hurt or feel heavy or when you feel tired. You may be so out of shape that this happens within minutes after you start to exercise. Stop anyhow. If you push too much, you may injure yourself.

Specialists say riding a stationary bicycle, jogging and fast walking are good fitness exercises.


PHOTO: KENNETH GARRETT/WOODFIN CAMP

As you get into better condition, you may feel that you want to exercise more than 30 minutes, three times a week. However, exercising for a longer period of time is not necessary. You will gain more heart and lung fitness by exercising more intensely than by increasing your exercise time beyond 30 minutes.

BY LISTENING to your body, you should be able to vary your pace so that you do not hurt yourself. If you ride a stationary bicycle, you can adjust the resistance knob that regulates the tension against your wheels. Begin by riding without resistance. After you have ridden for a while, tighten the knob to increase the resistance. When you feel tired, lower it. Continue to increase and decrease the tension according to how you feel.

After several months of exercising on alternate days you may find that you want to work out more than every other day. There are two ways you can work out six days a week and still give your muscles the two-day recovery period they need after vigorous exercise.

First, you can vary the intensity of each session, working harder one day and easing off the next. For example, if you are a jogger, you can jog three miles in 30 minutes on your harder day. On the next day, you can relax by jogging the same distance in 36 minutes. The slower pace will be easier on your muscles.

Alternatively, you can vary your sports. Different sports stress different muscles. For example, running stresses the muscles in your lower legs. Cycling on the next day stresses primarily your upper leg muscles and allows the lower muscles to recover.

Being fit has its rewards. The exercise you get will help you fall asleep at night, lose excess weight, and look and feel better. And the next time you see the bus pulling away, you will be able to chase it and catch it. □

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Social Security: Next Chapter

Congress hopes it has solved the pension problem. But now concern is growing over the financial health of Medicare.

LITTLE MORE THAN a decade ago, coronary-artery bypass surgery was still in the experimental stage. Today it is a common procedure, but the cost of the hospital stay alone—exclusive of surgeon's and anesthesiologist's fees—is expected to reach an average of $20,000 this year.

The extent to which such costly new medical techniques are entering the mainstream of medical care is one reason why the next Social Security crisis could come in Medicare, the Social Security program that pays for health services for the elderly.

Congressional Budget Office projections show the trust fund that finances hospital insurance will run out of money in 1987. The deficit could reach $106 billion by 1991 and $400 billion by 1999. (See chart.)

Congress has begun looking into the Medicare problem in the wake of passage of legislation to head off bankruptcy of the largest Social Security program, which pays benefits to the elderly and to surviving dependents of deceased workers.

That legislation, designed to keep the pension system sound until well into the next century, combines a four-stage increase in Social Security taxes from 1984 to 1990 with a variety of other changes that will increase revenues or curtail expenditures. They include a requirement that all new federal employes be covered by Social Security, effective next January 1, and a six-month delay in the cost-of-living increase that would ordinarily take effect this July 1.

Starting in 1985, whenever reserves for the old age, survivors' and disability insurance trust funds fall below a certain level, the annual inflation adjustment will be based on the lower of the increase in the consumer price index or the increase in the average factory wage. Otherwise, it will be equal to the increase in the CPI, as it has been in the past.

Another major change: Social Security benefits are subject to federal income taxes if, when half the benefits are added to other sources of retirement income, the total exceeds $25,000 for a single person and $32,000 for a married couple. In addition, the age for full retirement benefits will rise from 65 to 67 by the year 2027. The change will be phased in, starting in 2000. At the same time, benefits for early retirement—the minimum age will remain 62—will be cut in phases.

The Social Security legislation enacted this year recognizes the growing problem in Medicare. It establishes a plan under which hospitals will be paid a predetermined amount in each case, rather than on the basis of "reasonable costs" actually incurred.

GROWING CONCERN over the soundness of Medicare financing is focused on the hospital insurance, which pays for in-patient hospital care, home health services and stays in skilled nursing facilities. It is funded through the Social Security payroll tax.

The other part of Medicare, supplementary medical insurance, pays for all other Medicare coverage including physicians' services. It is financed through general revenues and premiums paid by covered individuals. General revenues must, under law, make up the difference between costs of the program and premium income. In the current fiscal year, the Treasury will pay $14.2 billion, or 74 percent of costs.

Congressional discussion of the Medicare problem is already beginning to echo the debate that preceded the $165 billion rescue plan for the old age and survivors' program. The Senate Special Committee on Aging said in a recent report on the hospital insurance program:

"Continued solvency of this program through 1995 will require either outlay reductions that are much larger than any program options currently under discussion, or very substantial increases in revenues."

The report points out: "The projected growth in hospital reimbursements is attributable primarily to rising hospital costs and, to a lesser extent, to the aging of the population."

Corrective measures under discussion include greater contributions from patients hospitalized with Medicare coverage. They now pay a first-day deductible of $384, the average cost to Medicare of a hospital day. Medicare pays the balance of the cost of covered services for the remaining 59 days to which a patient is entitled for each spell of illness.

The Reagan administration has proposed that the patient's contribution be set at 8 percent of the first-day payment for the second through the 15th day of care, and 5 percent for the 16th through the 60th day.

President Reagan's proposal has encountered rough going in Congress, and chances of enactment are not good at this point.

The Senate committee estimated that maintaining the program's solvency through such a coinsurance approach would require a 36 percent patient contribution by 1995.

Coinsurance is designed to save money not only through transferring more costs to patients but also by discouraging hospital use. It is expected to be an increasingly controversial issue as Congress moves closer to dealing with the overall Medicare problem. □

Trends in the Medicare Hospital Insurance Program

Calendar Year	Outlays	Income	Operating deficit	Trust fund balance
1985	$50.9	$49.5	$-1.4	$6.0
1986	57.1	56.4	-0.6	5.4
1987	64.3	60.3	-4.0	1.4
1988	72.3	63.9	-8.2	-7.0
1989	81.3	67.5	-12.8	-20.8
1990	91.5	70.9	-18.3	-41.4
1991	102.9	74.0	-24.9	-70.3
1992	115.6	76.5	-32.5	-109.3
1993	129.9	78.6	-41.3	-160.5
1994	146.0	80.1	-51.4	-226.5
1995	164.2	80.4	-63.2	-310.3

Pink Slip For This Program To Aid Jobless?

The Trade Adjustment Assistance Act, according to the administration, is "costly, unnecessary and inequitable."

TAA funds recipient James Harding (above) winds a motor coil as a teacher watches. Left: Two who lost jobs when Harding did take electrician's training.

IN THE 1970s James Harding, Jr., had what he considered the good life. "I loved my work," he recalls. But Mexican and Japanese factories Harding had never heard of began exporting leaf springs for American cars and trucks that were lighter and less expensive than those made at the Rockwell International plant in New Castle, Pa., where he was a laborer.

The Rockwell plant was shut down last May 28, and Harding, after 16 years there, was among 160 employes who found themselves unemployed.

He was in one of the worst kinds of economic situations. He was 46, untrained in advanced mechanical skills. With a wife and four children to support, he was living in a county where unemployment was edging up to 20 percent.

"By 1982 my high school education wasn't worth any more than what a sixth-grade education had been worth 28 years earlier, when I was 18 and starting out," Harding says. "In all the years since graduation, the only reading I'd done was the daily newspaper and the bills that came to the house."

Harding spent the remaining seven months of 1982 vainly pounding pavements of small towns and cities over a wide area of western Pennsylvania and eastern Ohio. There were no jobs for him or for growing numbers of others.

At long last, Harding was told at an unemployment office about an obscure federal program—highly controversial among the relatively few people in Washington who understand it—known as the Trade Adjustment Assistance Act.

TAA has been managed—or mismanaged, depending on whom you talk to—jointly by the Departments of Labor and Commerce since the Kennedy administration. Its object is to provide benefits to workers and businesses that those departments certify as having been deprived of a sizable amount of income by foreign imports.

The Commerce Department funnels guaranteed loans to companies for modernization and retooling. The Labor Department decides eligibility for special unemployment benefits and for retraining of displaced workers.

When Congress set up TAA in 1962, the program was limited—it affected only industries heavily hit by trade policy. In 1975 Congress broadened it to cover any industry affected by imports.

The program was due to expire in 1982, but Congress gave it a one-year reprieve until this September 30. Organized labor is pushing to keep TAA going beyond that deadline.

However, the Reagan administration, supported by the U.S. Chamber of Commerce, is anxious to shut down TAA unemployment benefits and retraining, charging they form "a costly, unnecessary and inequitable program" that delays adjustment to permanent changes in the economy.

In addition, opponents of TAA argue that the program has become superfluous because of the Job Training Partnership Act passed late last year. That act calls for $240 million in matching federal funds to be spent through state programs in fiscal 1984 to help U.S. workers who have been displaced not just by imports but also by domestic changes in the economy.

ADMINISTRATION spokesmen argue that relatively few workers are covered by TAA.

Between 1975 and March, 1983, 1.3 million U.S. workers were certified eligible for "trade readjustment allowances" under TAA, and 1.1 million were turned down. More than 640,000 of the jobless workers certified belonged to the United Auto Workers; Michigan has been a big recipient of trade readjustment allowances, with $1.2 billion in

these funds (close to a third of the total nationwide) funneled into the state.

For years TAA was considered a special province of the auto industry. And although James Harding, Jr., has been a steelworker in Pennsylvania, his fortunes were directly tied to the auto industry's loss of sales to imports.

Thanks to a trade readjustment allowance, Harding went back to school in January as a full-time student. He commutes daily to the New Castle School of Trades in Pulaski, Pa., where he is getting an extensive education in electrical technology at government expense.

The federal cost is $5,940, covering Harding's books, tuition and tools. According to Tony Mezatasta, director of the private school, Harding's 15-month schedule of classes will include mathematics, psychology, house wiring, industrial motors, how to set up and run a small business, and how to write a winning job résumé.

Harding, who will be almost 49 when he graduates next March, will have matched the government's investment in him with a substantial investment of his own, since he will have used up his state unemployment benefits three months before graduation day.

Uncertain how he might support himself and his family while on a demanding schedule of six hours a day in the classroom, Harding is determined to graduate with "a trade for the rest of my work years."

GAPING INADEQUACIES discovered in the management of TAA in recent years have led to a strong reaction in Washington.

An internal Labor Department study shows that about 75 percent of jobless workers who received trade readjustment allowances were ultimately put back to work by their former employers, frequently in their old jobs. Often they received lump-sum payments when already back in their jobs, according to a 1980 report by General Accounting Office investigators. And often they got more money than workers who remained jobless.

The GAO report said that out of 242,000 workers drawing trade readjustment allowances, only 5,300 had entered training programs. Many workers, who had not found new jobs, were not aware a training service was available, the GAO found. Consistently, records showed, the emphasis under TAA was on money handouts, rather than on retraining.

Along with that, a Labor Department official reported that some companies had taken advantage of TAA regulations to lay off workers temporarily with the understanding that these "revolving-door employes" would draw both regular unemployment benefits and trade readjustment allowances while enjoying a virtual paid vacation for several months.

PHOTO: RICK BLOOM

Rep. Don Pease (D-Ohio) has come up with the leading bill in the House to keep the controversial TAA program from folding.

Some of the program's money payments were running up to four times the usual amount of unemployment compensation, according to an attorney for the U.S. Chamber.

During 1980, the last year of the Carter administration, TAA was budgeted to cost less than $500 million but wound up costing $1.6 billion. By last year Congress had cut appropriations to $25 million for training funds and $134 million for supplemental income funds.

The Reagan administration went Congress one better. It spent only $18.4 million for training and $102 million on supplemental income.

This year training funds were increased to $30 million (an all-time high for TAA training money), and supplemental income funds were slashed to $53 million—about half of what was spent last year. Money spent to retrain jobless workers has not been as controversial as have TAA's cash payments to the unemployed.

As a result, says Marvin M. Fooks, TAA director at the Labor Department, "there are more people in training courses now than we've ever had. These courses range from how to operate computers or repair air-conditioners to courses in how to become a commercial airline pilot."

There is widespread feeling on Capitol Hill that organized labor really does not want TAA to survive, despite union testimony on its behalf. The feeling stems from the unions' refusal to consider any compromise on TAA that would end cash payments.

Alan William Wolff, a Washington attorney who represents the Labor-Industry Coalition for International Trade, gives some background. He says that, in exchange for organized labor's support of the trade act in 1962, the Kennedy administration offered establishment of TAA as a sweetener. Subsequent administrations, he says, continued this tradeoff.

NOW THERE IS no evidence of such a deal. The Reagan administration wants to kill TAA, and labor forces are battling imports by backing protectionist legislation opposed by the administration. Most notable: the domestic content measure, which would require that each auto sold in America be a product of up to 90 percent U.S. parts and labor, the exact percentage depending on sales volume.

Last year Sen. John C. Danforth (R-Mo.), chairman of the Senate International Trade Subcommittee, kept TAA from going under by bringing about the compromise that gave the program an extra year. But so far in 1983 Danforth has not committed himself to backing TAA beyond the September 30 deadline.

However, Sen. Bill Bradley (D-N.J.) may bring to the Senate floor a plan that would extend TAA, but with major changes. Bradley's legislative assistant, Michael C. Aho, formerly was director of foreign economic research at the Labor Department, and he made a study there of TAA's problems.

Aho is convinced TAA has failed to help those workers who most need help—the unskilled workers who are repeatedly unemployed. Bradley may offer a bill that would extend TAA but shift it toward a locally controlled system under which eligible workers would receive vouchers that they could exchange for education and training. "The program should be decentralized out of Washington's hands," Aho says.

Meanwhile in the House, Rep. Don J. Pease (D-Ohio) has come up with a bill that would authorize continuation of the program beyond the deadline, including two other new approaches.

Pease would establish training courses—like the one Harding is in—as entitlements of TAA rather than just a discretionary part of it. Next, Pease would finance the training courses not from new taxes, but from customs duties levied on foreign imports.

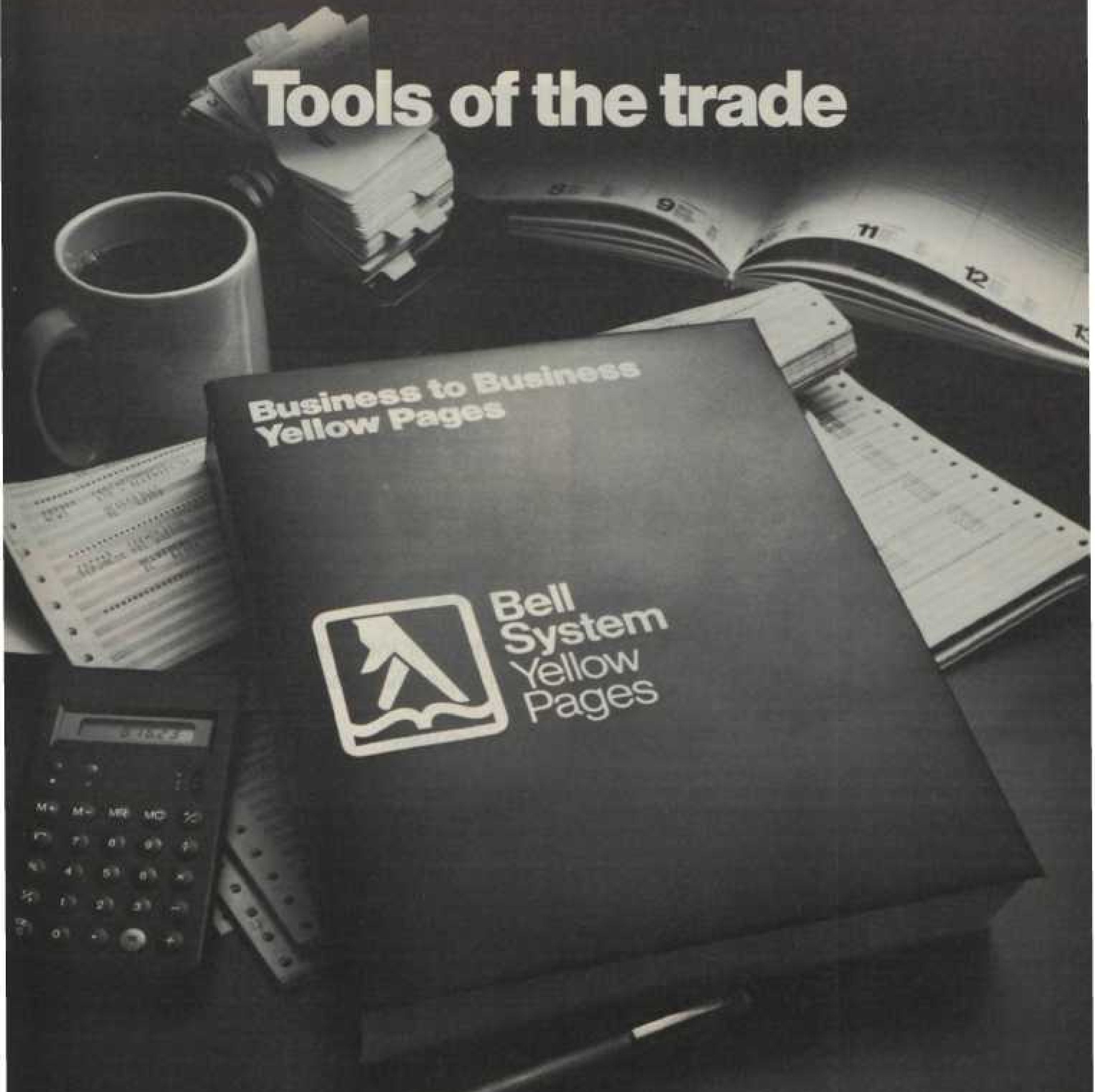
"In 1981 the government took in nearly $8 billion from customs duties," Pease says. "My bill would earmark some of such funds to pay for new job training programs around the nation."

Pease adds that "millions of workers in this country have put in many years of hard work in industries that will never fully recover from the recession. They don't want a handout. They want jobs."

Harding says he is one of those people. "I'm hoping on the economy," he says, "and I want to be ready." □

—Seth Kantor

Tools of the trade



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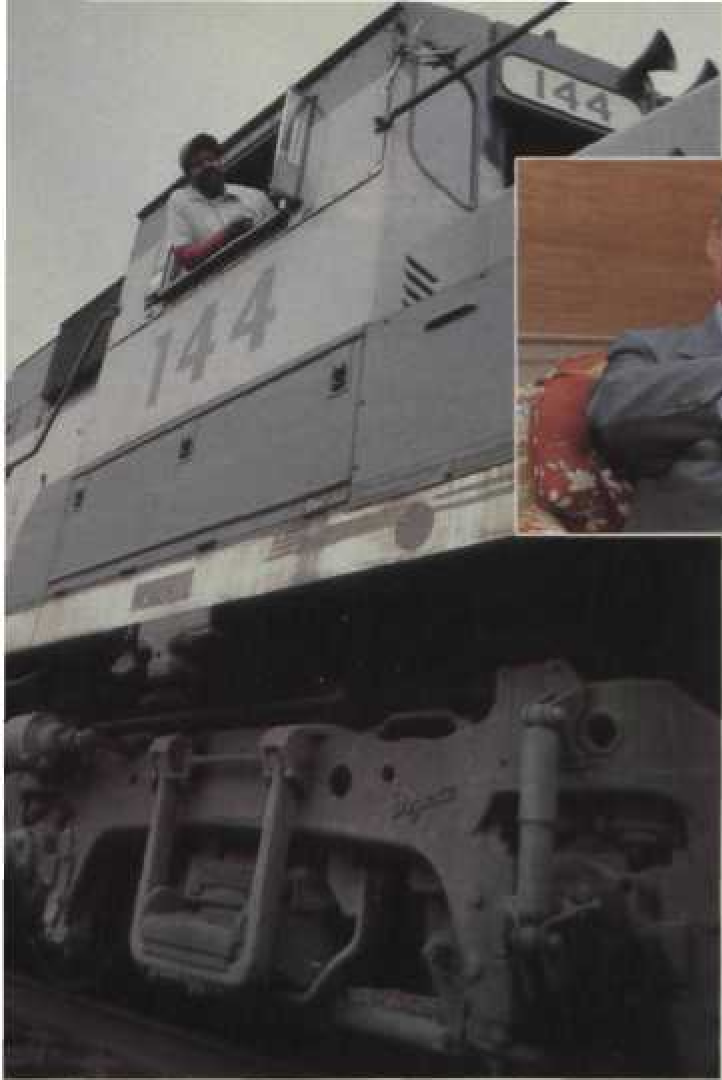


PHOTOS: DAVID VALDEZ

PHOTO: DALE R. THOMPSON—SANTE FE

Railroads increasingly turn to new methods as they hunt for more freight. Bill Braxton (left) hauls produce in truck trailers on the Orange Blossom Special. Right: An auto is loaded into a covered carrier. CSX Chairman Hays T. Watkins (center) says competition is a boon to shippers.

Why Railroads Are Making The Grade

A leaner industry has become more competitive under deregulation.

By Bob Gatty

"THIS AIN'T A GLAMOUR JOB," says Bill Braxton, since 1969 an engineer with the Richmond, Fredericksburg and Potomac Railroad. "Over a million dollars' worth of equipment. That's my responsibility."

He's at the throttle of a diesel locomotive pulling the Orange Blossom Special north from Richmond, Va. A train composed of produce-laden truck trailers on 12 rail flatcars, the Special is making its daily run from Orlando, Fla., to Wilmington, Del., providing overnight delivery of fresh Florida fruits and vegetables. From Wilmington the produce will be distributed to the markets of the Northeast.

A rural grade crossing looms on the horizon and a white post—with a "W" for "whistle" painted near the top—passes by. Braxton pulls on a steel lever, shiny from 15 years of use, and the massive whistle screams.

Just over two hours after leaving Richmond, the train slows to a stop at the Potomac Yard in Alexandria, Va., just south of Washington. Braxton's crew is relieved by another, and the train continues its run to Wilmington.

The Orange Blossom Special was started last November by CSX Corporation, a company formed in 1980 through a merger of the Chessie System and Seaboard Coast Line Industries. Its rail units include the RF&P.

Twenty years ago, says Hays T. Watkins, CSX's chairman and chief executive officer, Seaboard Coast lines carried some $200 million a year in perishables from Florida. All of that business eventually was lost to truckers offering lower rates. "We're out now to get that back," he says.

A change in federal law has made it possible for the railroad industry to again compete vigorously for freight business. Watkins was one of the industry's most effective proponents of the 1980 rail deregulation law, known as the Harley O. Staggers Rail Act, and of the Railroad Revitalization and Regulatory Reform Act of 1976.

Today many constraints that prevented rail companies from changing prices—up or down—to meet competition are gone. Railroads were unable to start new services or abandon old ones without first gaining federal approval. Now that has changed.

According to Watkins, the big winner is the shipper.

"The Staggers Act has both allowed us and forced us to become more competitive in the marketplace," he says. "And the more competitive we get, the more the customer benefits."

For more than a century, Watkins notes, railroads lacked aggressive marketing. "The system was rigged against us. We learned to live within government regulation. Now we're competing in the marketplace, and we've got to be far more imaginative and innovative to get the business."

That is where the Orange Blossom Special comes in. The train is not just a delivery service. It is part of what Watkins sees as the wave of the future: CSX trucks picking up merchandise; CSX trailers being lifted aboard CSX flatcars and pulled by CSX locomotives to distant cities, where other CSX trucks deliver the trailers to their ultimate destinations.

PHOTO: PAUL CONKLIN

PHOTO: BYRON CRADER—DOT

PHOTO: DALE R. THOMPSON—SANTA FE

The recession cut down on rail shipments of coal and other commodities, but the freight railroads survived in good health, thanks to the removal of government constraints. Now, with modern equipment on hand and computerized systems making greater efficiency possible, the railroads are ready for the economic recovery.

"The customer shouldn't have to deal with a truck line and a railroad and a distribution warehouse," Watkins says. "He ought to be able to have one number to call and let us worry about transportation and distribution. That's our business."

A DECADE AGO, many of the nation's railroads were in deep financial trouble. The Penn Central, the Rock Island and other lines were going bankrupt. It seemed that the great rail systems, which had moved American goods for more than a century, would pass into history.

But even though the 1982 recession sharply reduced shipments from the major industrial customers of the freight railroads—steel, lumber, autos—there were no freight rail bankruptcies. Every kind of shipment except one was down in 1982. But that one, piggyback loadings, broke all previous records.

And now the industry generally is healthier than in many years and is poised for a takeoff as the economy comes back.

William H. Dempsey, president of the Association of American Railroads, notes that ton-mileage last year dropped more than 12 percent from 1981 levels. The 1981 figure was the lowest since 1976, when the country was emerging from the 1975 recession.

Still, he notes, the railroad industry made money—thanks, he says, to the Staggers Act. "Without it, I think we would have lost many railroads during the last couple of years."

The nation's railroads are becoming larger as the result of mergers, and experts expect to see the first transcontinental freight railroad company in operation soon. Mergers and bankruptcies have reduced the number of freight railroads from 6,000 in the 19th century to 477 today; there were twice as many lines just 20 years ago. Only 37 of today's railroads are "Class 1," with annual gross revenues of $50 million or more.

Although a lessening of government regulation has helped the freight railroads, deregulation of another industry—trucking—has brought new challenges.

"We've all got to become more competitive with the truck industry," contends Robert D. Krebs, president of Southern Pacific Transportation Company. Krebs says truck deregulation has increased competition—particularly from new independents who operate with thin margins.

"The independent trucker is in there driving day in and day out and will take stuff pretty cheap," Krebs says. "So if we're going to compete, we've got to be pretty efficient."

Intermodal business—moving truck trailers and ocean containers on flatcars in piggyback fashion—is critical to efficiency, he says. Over the past five years, SP's intermodal business increased more than 50 percent. Last year such business increased 23.9 percent over 1981.

Competition among the railroads themselves is stiff. Says Watkins: "There is much more aggressive marketing and pricing out there."

One benefit of the Staggers Act is the freedom for railroads to enter into contracts with customers to provide service at a special rate based on volume. Krebs has given SP's salespeople authority to make contracts. "They can go out and cut their own deals," he says.

Robert B. Claytor, chairman and chief executive officer at Norfolk Southern Corporation—the result of a merger last year of the Southern Railway System and Norfolk & Western Railway—says transportation contracts have greatly improved the flow of coal from mine to market.

"Thanks to these contracts," he says, "we have, in effect, a reservation system for vessels—they know just when to come, so there is no wasteful waiting for coal to arrive. There are guarantees on both sides: that the coal will be mined on schedule, that the rail cars will move on schedule, that the vessel will arrive on schedule, that the rates to be charged in the future are fixed, subject only to inflation as measured by an agreed index." Moreover, Claytor says the efficient use of rail plant and equipment has increased.

But there is fierce competition for contract business. In fact, Claytor cautions against using contracts solely to snag business from other railroads, a practice he labels "cutthroat." He warns that pressure to reimpose regulation on the industry could result from such practices.

THE NEW competitive environment means that railroads are facing new pressures to reduce their overhead.

At Southern Pacific, efforts to economize on fuel have paid off, reducing an annual fuel bill of $350 million by $35 million. Using double-decker container cars—to cite one example—has reduced by 50 percent the number of flatcars needed to haul the same amount of goods, and it saves energy, too.

SP is also testing a covered hopper car made of fiberglass to haul grain. The "glasshopper" is lighter and more energy-efficient than conventional hopper cars.

Consolidated Rail Corporation devel-

oped a special "unit train" for transporting petroleum. The idea is simple: Tank cars are connected by flexible hoses, allowing them to be filled at one end and emptied at the other. Conrail, the government-created successor to the defunct Penn Central and five other bankrupt carriers, is making other innovations, too.

For example, Conrail has placed in limited service a double-duty car known as the RoadRailer, a highway trailer that can be pulled over the roads on rubber tires or over the rails on its own flanged wheels. Its developers, Bi-Modal Corporation and the North American Car Company, project 75 percent less fuel consumption than in straight trucking and 45 percent less than in conventional piggybacking. Because the units roll on or off the tracks instead of being lifted by cranes, the transfer operation is faster and less costly.

RAILROADS ARE using sophisticated computer systems to keep track of their equipment. Since freight cars are the prime source of revenue, railroads must have accurate and complete information on where they are and where they are needed.

Computerized systems also permit railroads to block off electronically sections of track under repair, improving productivity and safety as well.

While the economy has been in a slump and industry traffic has been down, thousands of locomotives and freight cars have been put in storage. Krebs notes that 25 percent of Southern Pacific's locomotives are idle, along with 10,000 cars. Conrail and CSX report a similar situation.

This, industry analysts say, means that as the economy improves, the nation's freight railroads will be prepared—with a fleet of well-maintained, modern and efficient equipment.

"We're going to be out there fighting for the customer's business," declares Krebs. "And the way we will do it is to provide a better overall product. We can't just sit still." □

PHOTO: BRYCE FLYNN—PICTURE GROUP

PHOTO: CAMPBELL STUDIOS

PHOTO: DAVID VALDEZ

Conrail's Chairman L. Stanley Crane has guided a weak line, operating on dilapidated tracks, to new prosperity.

Conrail: Back From the Brink

Probably the most dramatic story in the railroad industry today is how the Consolidated Rail Corporation—Conrail—turned into a money-maker.

Put together by the federal government in 1976 from the old Penn Central and five other bankrupt Northeastern railroads, Conrail was in such sorry shape by 1981 that the Reagan administration wanted to consign it to the scrap heap. The line had rolled up deficits of more than $1.5 billion in its first five years.

A giant 15-state network that stretches from St. Louis to Boston and into Canada, Conrail originally received $2.1 billion from Congress; another $1.2 billion was appropriated in 1979. Through June, 1981, Conrail had used all but $20 million of that amount.

But Conrail is now in the black. In 1982—a horrendous year for many of its shipper customers—Conrail reported net income of $174.2 million on revenues of $3.6 billion. That compared favorably with 1981 net income of $39.2 million on revenues of $4.2 billion.

The 1982 net included $91 million from the sale of tax benefits and $44.1 million in payments of old debts from commuter railroads, including Amtrak.

Brilliant management and a new law, the Northeast Rail Service Act of 1981, have turned the company around.

NERSA allowed Conrail to sell or abandon more than 2,500 miles of unprofitable lines, some to be picked up by local governments, customers or small railroad operators. It permitted Conrail to get rid of money-losing commuter lines and to drop 2,900 employes whose jobs previously had in effect been protected by law.

"Nobody could conceive how bad the railroad was," says L. Stanley Crane, Conrail's chairman and chief executive officer.

"Mile after mile of mainline track was in such poor shape it couldn't handle speeds of more than 10 miles per hour. As a result, you needed more cars and more locomotives to provide the same amount of service. Our shippers went through hell."

Crane took over after retiring from Southern Railway System as chairman in late 1980. He credits his predecessor at Conrail, Edward Jordan, with doing an outstanding job of using the federal aid to improve track and equipment.

But still, Crane says, Conrail's hands were tied because it was forced to operate commuter lines that were losers and keep thousands of workers it didn't need.

"It was a giant welfare agency," he says. "There was a great host of people who as a result of contractions in business should have been laid off. But Conrail couldn't do it because the law said they had to be paid anyway. If that isn't welfare, I don't know what is."

NERSA changed that, and Crane has instituted a tough management system that makes sure every expenditure is justified. He personally inspects Conrail track, usually once a week, in a rail car that has been converted into a traveling office.

Piggyback business has proved profitable. In fact, West Coast fresh fruit and vegetable shippers increased their piggyback business with Conrail nearly 50 percent last year over 1981.

Now, complying with the law, the government is looking for a buyer who will return Conrail to the private sector. And potential buyers—including Conrail's own employes—are suddenly interested.

"It's remarkable," says Hays T. Watkins, chairman and chief executive officer of CSX Corporation, who competed for years with Crane when he was at Southern. "As far as the nation is concerned, and the railroad industry, I think they have done an outstanding job."


Thank you,
Herb Clark
Herbert E. Clark, President
Clark Office Products,
Tucson, Arizona

Herb Clark is the largest walk-in commercial stationer in Tucson. "We stay real busy as long as the sun stays out."

It's still possible to build a successful business and at the same time make a major contribution to the growth of your community. Herb Clark, who owns Clark Office Products in Tucson, like a lot of commercial stationers throughout this country, is an example of achievement based on these old-fashioned virtues. It's lucky for all of us that people like Herb still make up the vast majority of the business community.

Herb took over as President and General Manager of the Old Pueblo Office Supply Company back in 1959. Since then Herb has moved three times and changed the name of the company to mirror his own. Now he has 23 employees, has been enjoying steady growth, particularly in supplying businesses with office supplies, and has a customer base of almost 4,000.

Right now Herb is starting to worry about still another move. This time to his own building. "You can't afford to stay still in business. You've got to look at what's going to happen, and take the necessary gambles to prepare for the future."

Once in a while Herb takes a fishing break. When he can get away, he heads for the White Mountains in northeastern Arizona, where he likes to troll for trout.

Unlike most people in Tucson, Herb lays claim to being a native Arizonian. He's always been very much involved in the community. "I suppose it's trite to say, but I feel that if the community has been good to you, you'd better return the favor."

These beliefs have led to a lot of community activities. As a result, Herb has served as President of the Tucson Metropolitan Chamber of Commerce, the Better Business Bureau and the Tucson Executives Association. He's been active for years in the National Office Products Association where he has served in various capacities, most recently as District Governor in 1981-82.

Herb's also involved in politics. Not as an active candidate but as an informed observer. "I care about the kind of people who run our government, and the laws that get passed. Right now I'm attracted by the flat income tax because everyone would know how much they owe."

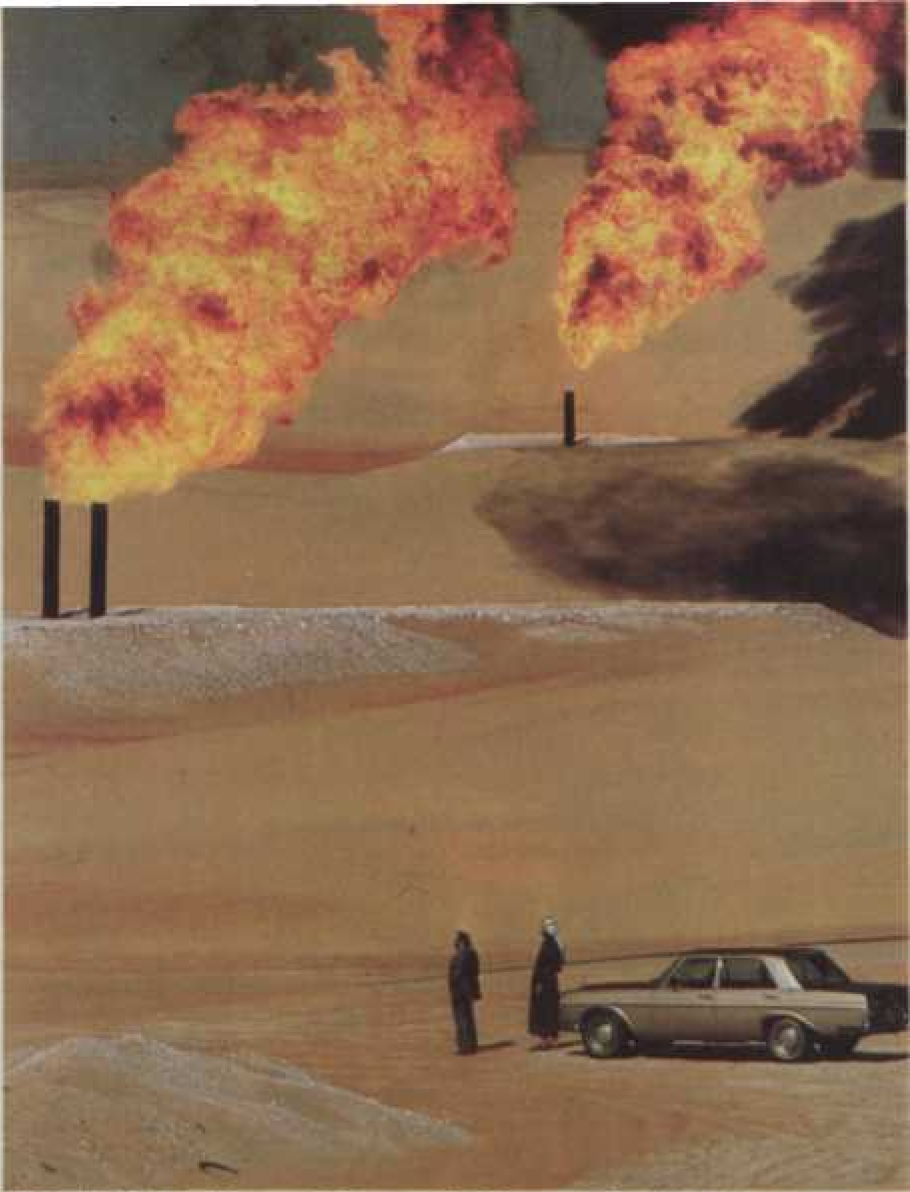
Jack Camper, Executive Vice President of the Tucson Metropolitan Chamber of Commerce points out to Herb the changing skyline of the booming downtown area.

Herb continues a family tradition with his son, Reid and daughter, Anne Marie as part of his staff.

Don't Count OPEC Out

The oil cartel may seem to have lost its punch, but rising demand could give it new strength.

By Henry Eason



OPEC oil fields, like this one in Qatar, contain 75 percent of world crude reserves.

A NOTED BRITISH GEOLOGIST vowed he would drink all the oil anyone could find in the North Sea—a few months before the first strike was made off the British coast. Jimmy Carter called the Shah of oil-rich Iran "an island of stability" in the Middle East—not long before the Shah was toppled from his throne.

Lately, commentators have been sounding the death knell for the Organization of Petroleum Exporting Countries.

Oilmen, who have cultivated what borders on gallows humor about such predictions, are shaking their heads and chuckling. Don't get used to low crude prices, they warn. And, they add, don't forget that even if OPEC is in disarray now, the 13-member cartel sits on 75 percent of all proven oil reserves in a world that will still be thirsty for oil in the year 2000. "Good businessmen should take that into account," says Charles DiBona, president of the American Petroleum Institute.

In the weeks after OPEC reached accord in March on its first price rollback, oil analysts throughout government, industry and the academic world voiced a healthy respect for OPEC's ability to again put the West over a barrel, as it did in 1973. Despite some success in efforts to attain energy independence, the United States still imports about 41 percent of the 15 million barrels it uses every day, and it will continue to be highly dependent on imported oil, mostly from OPEC sources.

A report from Harvard University's graduate business school predicts that there could be "an absolute decline in output" from the four traditional domestic energy sources (oil, gas, coal and nuclear) by the end of the century. (Standard Oil Company of California forecasts a major increase in coal production, however.) The Harvard report stresses that the United States could become even more dependent on imported oil than it is now and adds that the world oil market "could become tight overnight—a shot here, a stick of dynamite there." A new conflict in the Middle East could have global economic effects like those that followed the 1973 Arab-Israeli war and the 1979 Iranian revolution.

Demand for imported oil sank over the past two years as one of the century's worst recessions swept the United States and the rest of the industrialized world. Some switching to other fuels further reduced oil consumption, as did conservation.

BUT WITH RECOVERY under way, developed nations will require more oil. The 1982-83 buyers' market could evolve, even within a couple of years, into the sort of sellers' market that allowed OPEC to strongly influence the world economy.

Says Exxon analyst Gerald Pollack: "Looking ahead, notwithstanding further conservation efforts and efficiency gains, demand for oil will strengthen from current levels . . . and a greater share of demand will probably have to be met by OPEC, because non-OPEC suppliers will have to work hard just to maintain the higher production achieved in recent years."

Some observers fear that OPEC will play a much shrewder game in the future. They expect that OPEC will manipulate prices—trying to peg them low

World Oil Production
September, 1982

(In millions of barrels per day)


PHOTO ROBERT AZZI—WOODFIN CAMP

Total World **53.07**

OPEC	
Qatar	.28
Ecuador*	—
Gabon*	—
Algeria	.80
Iraq	.80
Kuwait	.86
United Arab Emirates	1.15
Nigeria	1.17
Indonesia	1.30
Libya	1.40
Venezuela	1.99
Iran	2.70
Saudi Arabia	5.68
Total	18.51

Non-OPEC	
Canada	1.30
China	2.02
United Kingdom	2.17
Mexico	2.83
United States	8.73
U.S.S.R.	12.00
Other	5.49
Total	34.56

*The Department of Energy, the source of this table, does not provide specific amounts for Ecuador and Gabon, although it does include them in the total.

enough to blunt the development of alternative energy sources and new conservation methods.

Says energy analyst George Hazelrigg of the National Science Foundation: "In the past they didn't know what to do. They just saw dollar signs." But, he adds, Saudi Arabia now realizes that "it will have to maintain U.S. demand" if it expects to keep this country as OPEC's best customer, and "they can play that game for 80 to 90 years with their resources."

Henry Schuler, director of the energy program at Georgetown University's center for strategic and international studies, says, "As long as OPEC can manipulate supply, we are vulnerable to whatever decisions they make" when demand for oil rises with economic recovery.

Indeed, says Schuler, "out of the ashes of OPEC will arise a new cartel. When it becomes clear that its resources are seriously threatened, you'll find the OPEC countries getting together and producing a new and strengthened international structure."

Michigan State University economist Mordechai Kreinin agrees. "What's happening now with the reduction in oil prices could halt conservation and alternative fuel development and the search for additional oil, as long as oil is under $30 a barrel. ... I see the possibility that when the world economy turns around and demand rises, OPEC will regain strength. I don't think OPEC's future is at stake."

Elihu Bergman, director of American Energy Independence, a Washington-based group dedicated to promoting self-sufficiency, says more oil taxes may be required. "We must penalize oil, especially foreign oil," he insists, and make the painful long-range sacrifices needed for independence.

But that may be too unpopular to achieve, says Michigan State's Kreinin. "The U.S. political situation forces us into OPEC's hands. The American public would not allow high oil taxes. We are driven to play OPEC's game."

As Standard Oil Company of California analyst Lynn Maddox puts it: "The country will not be dramatically less dependent on OPEC through the year 2000," because alternative sources of energy cannot be developed quickly enough. "You physically cannot do a lot by 2000," he says. Even after the turn of the century, Maddox says, "the United States and the rest of the world will be dependent on OPEC for 40 percent-plus of required oil."

Says another oil industry insider: "There is hope for nuclear power and solar energy—but for the very long future. Nothing on any scale by 2000. American oil imports will go up by one third to one half" of total consumption.

THESE RATHER DISMAL predictions assume that oil imports will be available over the next few decades. But there is a worst-case scenario in which major OPEC producers are simply unable to keep oil tankers sailing to the United States and other industrial nations.

By the Harvard report's count, over the past three decades there have been "a dozen wars, a dozen revolutions and innumerable assassinations and territorial disputes" in the Middle East, all affecting oil flow to some extent. The war between Iran and Iraq is now in its third year, and it has cut deeply into the exports of both countries.

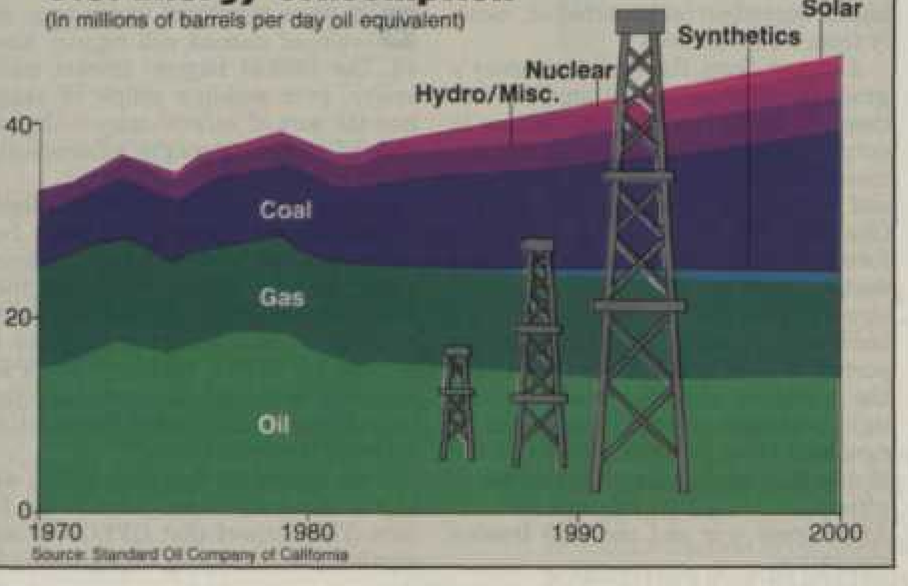
The decline in oil prices has clearly damaged the economies of the OPEC countries. Their national budgets were based on an oil price of $34 a barrel—but that price has sunk considerably and is expected to drop further over the next few months.

High-population, cash-poor OPEC member countries—Nigeria, Indonesia, Algeria—are in particularly severe straits. But even the richest OPEC nations have populations that have become accustomed to fairly substantial trickle-down wealth.

If, some analysts ask, the OPEC nations play a price game designed to keep the West hooked on cheaper oil, how long will their populations tolerate diminished income? Will thwarted material expectations cause a faster ripening of internal political dissent in Saudi Arabia and elsewhere?

The prosperity and even the safety of the Western world hang on the answers to those questions. □

U.S. Energy Consumption
(In millions of barrels per day oil equivalent)



Source: Standard Oil Company of California

A Commitment To Reviving Americans' Faith in Freedom

As chairman of the U.S. Chamber, Edwin Dodd will work to preserve "the best system ever conceived."

By Robert T. Gray

THE FEDERAL GOVERNMENT has become the dominant partner in too many businesses, says Edwin D. Dodd, and he promises to attack that problem head-on in his upcoming term as chairman of the U.S. Chamber of Commerce.

He explains: "Government controls the right to go into, or out of, business, the right to make a profit and the amount of that profit, the right to hire and fire, the quality and performance of products—almost anything we do or say."

In leading the nation's largest business federation, Dodd says, he will work for "an enthusiastic renewal of faith in the American enterprise system, which is based on free markets and free people."

Dodd is chairman and chief executive officer of Owens-Illinois, Inc., manufacturer of a wide range of glass, paper and plastic packaging and related products and consumer and commercial glassware. The company has also expanded into health care services. It had $3.6 billion in sales last year.

As U.S. Chamber chairman, Dodd succeeds Robert T. Thompson, a prominent lawyer specializing in labor-management issues. Van P. Smith, chairman and president of the Ontario Corporation, of Muncie, Ind., succeeds Dodd as vice chairman of the Chamber. Smith has been chairman of the Chamber's Council of Small Business and a regional vice chairman (see box, page 54).

The chairman and vice chairman of the Chamber's board of directors serve one-year terms in their voluntary posts, which they assume in addition to their business or professional duties. Policies the board sets are implemented by a full-time professional staff.

(For a yearly report on U.S. Chamber activities, see pages 85 to 92.)

Dodd, 64, says a personal motive, in addition to policy goals, spurred him to accept the Chamber chairmanship, which involves a heavy schedule of congressional testimony, strategy meetings, public appearances and other activities, some of them abroad. He says:

"I don't want to sound maudlin about it, but I think the American enterprise system has been good to me and good to my company. I realize it's not a perfect system, but it's still the best system ever conceived. I say that after having visited almost all of the world's developed countries, a great many developing countries and many of the undeveloped ones. If I can help preserve our system, I believe I will have made an important contribution in this job."

His election by the Chamber board is a major addition to a series of business

PHOTOS: DAVID VALDEZ

Edwin Dodd outside his company's new headquarters in Toledo's SeaGate project.

and civic achievements that have highlighted Dodd's career.

With the exception of a single year between Ohio State University and the Harvard graduate school of business, Dodd has spent his entire working life with Owens-Illinois. After Army service in World War II as an information and education officer on Gen. Douglas MacArthur's staff, Dodd joined O-I in 1946 as a sales trainee and was soon transferred to the public relations department. He was public relations director four years later. Soon the company president suggested he broaden his horizons. Dodd asked to learn the manufacturing end of the business.

He spent the next year visiting O-I plants, studying their operations. Then followed jobs as production manager, plant manager and assistant general manager of the company's Libbey glass division in the headquarters city of Toledo, Ohio. The plant there was in trouble because of poor labor relations and low productivity. A militant union had resisted change to the point that O-I management was considering shutting down the operation.

(There was a historical irony to the

situation. Owens-Illinois traces its ancestry in part to a company headed by Edward D. Libbey. Libbey chose Toledo as the site of his production facilities when he decided in the 1880s to move them from the Boston area to get away from labor problems. Better availability of raw materials and natural gas in Toledo was also a factor. Toledo residents, including many business people, raised the $3,500 Libbey needed to buy land. With two exceptions—$500 and $100—contributions ranged from $5 to $28.75. The Libbey plant in Toledo is now one of the 101 domestic facilities of Owens-Illinois, which also has 92 operations abroad.)

AFTER A SHOWDOWN that involved a three-month strike, Dodd succeeded in turning the Libbey operation around. He was rewarded with responsibility for straightening out still another major problem area, the paper products divisions. He did, and he now points out that tough jobs can be big opportunities: "Heroes aren't made in peacetime."

By 1964 he was executive vice president in charge of the forest products division. He became O-I's president and chief operating officer in 1968, chief executive officer in 1972 and chairman and CEO in 1976.

Born in Point Pleasant, W.Va., the oldest of three children and the son of a college professor, Dodd grew up in Morgantown, W.Va., Ithaca, N.Y., and Columbus, Ohio.

While serving in O-I's top echelons, he has combined business and civic initiatives to leave a lasting mark on his adopted city of Toledo. He has been a prime mover in creating SeaGate, a massive downtown rehabilitation project.

SeaGate came about this way: By the late 1960s Owens-Illinois had outgrown its world headquarters building in downtown Toledo and was acquiring adjacent property for expansion. But the nearby area along the Maumee River was turning into a blighted strip of deterioration, abandoned buildings and rubble-strewn lots. The city, which had taken over much of the property in a series of acquisitions dating back to 1965, could find no buyers.

Owens-Illinois was considering such options as building its new headquarters in a campuslike, suburban setting or even moving to the sun belt.

Then officials proposed that O-I build its world heaquarters on a city-owned site near the riverfront and take chief responsibility for development of the rest of the 11.5-acre property. The city pledged to develop the strip of land immediately adjacent to the river as a public park. Owens-Illinois agreed to the plan, and so SeaGate was launched.

Today, the company occupies a 32-story, $100 million glass tower on the northern end of the complex, while the distinctive triangular building of the Toledo Trust Company anchors the southern end. In between are a reflecting pool/ice-skating rink, a marina and a riverfront promenade, long a dream of the community. Still to come are a luxury hotel and a retail complex. The O-I building's lobby and concourse are designed to accommodate art shows, exhibitions, concerts and other activities.

Dodd's participation in the project reflected characteristics that have been evident in his business success—primarily an ability to initiate and implement a vast, complex project without losing sight of the people and human factors involved, and to lead and be an effective team player at the same time.

He views SeaGate as a tribute to "a great team effort by city officials and the business community," a theme he has stressed in other contexts.

"When government and private industry work together to forge the optimum economic development of a community, the results can be very rewarding for everyone," Dodd has told both business and government officials. "To do otherwise can be catastrophic."

Dodd had a leadership role in the riverfront rehabilitation project from its earliest days. To assure maximum involvement by the business community, he became in 1973 the first chairman of the Greater Toledo Corporation, which included the heads of Toledo's 16 largest businesses.

Formation of the group was widely regarded as a reflection on the local chamber of commerce, which critics said was not up to the challenges of changing urban conditions. Just as he had taken on problem assignments for O-I in his early days there, Dodd got other community leaders involved and later agreed to serve a two-year term as chairman of the Toledo Chamber of Commerce.

IN TYPICAL FASHION, he left a revitalized organization behind him when he completed his term earlier this year. He advises other local chambers, on the basis of his own experience, that they run the risk of spawning a proliferation of small, but costly, civic groups if chamber members feel that their particular interests or concerns are not being adequately represented.

To avoid splinter movements, he says, a local chamber must be alert to the needs of the overall community.

In moving within the same year from leadership of a local chamber of commerce to leadership of the U.S. Chamber, Dodd is taking on a major role in debates that lead to formulation of policies affecting the entire country.

Dodd has been deeply interested in all aspects of SeaGate's construction.

To that role, he brings a business executive's concern for productivity and incentives, tempered by recognition of the necessity of providing for those who can't help themselves. He makes his positions on the key issues as clear as Libbey glass simply by the way he defines the key questions facing the nation today:

- Will we reduce the deficit by increasing taxes or by curtailing the growth of spending?
- Should unemployment be attacked

by spending federal money on make-work jobs or by providing incentives to work, save and invest?

• Should the Federal Reserve Board pursue steady growth of the money supply or policies that re-ignite inflation?

• Should the country pursue an aggressive foreign trade policy or retreat behind protectionism?

The bottom-line choice, Dodd says, is between (1) a return to "the policies of tax and tax and spend and spend that have brought us four back-to-back recessions and four bouts of inflation in the last 15 years" and (2) pressing ahead on President Reagan's commitment to reduce taxes so more private-sector funds are freed for job-creating investments.

THERE IS NO DOUBT, Dodd says, that "we need to provide for the elderly, the infirm, the mentally retarded and others who are unable to provide for themselves." But, he adds, "I think some of our social programs are counterproductive and encourage people not to work. We need to look these over very carefully and change or eliminate those that are causing more problems than they are solving."

The nation must also realize that it has entered an era of limits and that many federal programs are outrunning the economy's ability to support their unchecked growth, Dodd says. "I think we need to look at just how much we can do, not just at what we would like to do."

He sees parallel problems in government regulation: "We need laws to prohibit abuses, but many of our regulatory statutes have just created expensive bureaucracies that accomplish little, but do add to production costs and make it more difficult for American companies to compete with foreign firms."

Overall, he says, he remains optimistic, particularly in view of such recent developments as sharp declines in inflation and interest rates, the resurgence of the housing industry, record levels in the stock market and the inventory reductions that usually trigger renewed production. At the same time, he admits to occasional discouragement over continuing efforts by some in Washington to push the country "more and more toward a welfare state."

"I hope the pendulum, which has swung so far one way over the past 50 years, will return to a more perpendicular position," Dodd says, "and I believe that all of us who are concerned about the future of our country are in the process of making that happen." □

To order reprints of this article, see page 84.

Vice Chairman: Small Business Expertise

PHOTO: ONTARIO CORPORATION

Van P. Smith runs a small industrial operation in Indiana.

The new vice chairman of the U.S. Chamber of Commerce brings to his post a small business perspective gained in the private sector and in public-service positions.

Van P. Smith is chairman of the Ontario Corporation, of Muncie, Ind., a privately held company that operates seven wholly owned subsidiaries, most of them in the forging, metallurgical research, metal-working and heat-treating industries. The largest, Ontario Forge Corporation of Muncie, has 320 employes; the others have fewer than 75.

In addition, Smith is a member of the Indiana and the national advisory councils to the Small Business Administration, and for the past year he has been chairman of the Small Business Council of the U.S. Chamber.

The 57-member Chamber council is an advisory and an action group. On the basis of continuing communication with small firms throughout the country, it advises the Chamber's board of directors on policy affecting small business. Council task forces stimulate greater small business participation in political action, export trade and other key areas.

Smith, who holds a law degree from Georgetown University, is also a member of Indiana's Commission for Higher Education and Labor-Management Committee, and also serves on the Governor's Fiscal Policy Advisory Committee. He is chairman of the Indiana Manufacturers Association, past chairman of the Alliance of Metalworking Industries, past president of the Forging Industry Association, and formerly a state legislator and member of the state Employment Security Board.

Sizing Up What a Business Needs

When Owens-Illinois Chairman Edwin D. Dodd asked an aide how many small businesses had participated in the construction of the company's $100 million headquarters building on the Toledo waterfront, the aide estimated the total at 100.

But Dodd, who had been involved in virtually all phases of the massive project and had dealt with many of the suppliers, rejected the estimate as too low.

An accurate count then showed that 329 local businesses, from Ace Trailer Rental to Zenk Oil Company, provided supplies or services during construction of the 32-story structure, which was completed earlier this year.

Dodd brings his awareness of the interdependence of small and large businesses to his new post as 1983-84 chairman of the U.S. Chamber of Commerce, whose membership includes businesses of all sizes.

"I find it difficult to draw distinctions among businesses on the basis of size alone," Dodd says. "The characteristics of a good small business are substantially the same as those of a good big business."

Whatever the size of an enterprise, he explains, its success depends on whether the people who are running it:

• Can perceive and fill a marketplace need.

• Know their products and markets thoroughly.

• Have adequate financing.

• Develop manufacturing and/or marketing organizations.

• Are willing to work hard and efficiently and hire people willing to do the same.

• Can instill in employes a sense of close, personal identification with the success of the enterprise.

• Are committed to integrity, fair play and consideration of others.

Banking's Broken Barriers

PHOTOS: DAVID VALDEZ

Citibank executive John Heilshorn labels financial trade associations "protectionist" for objecting to industry product diversification.

As regulators allow bankers to invade brokers' turf, brokers say Congress' turf is being invaded, too.

By Mary-Margaret Wantuck

ITEM: Federal Home Loan Bank Board rules that a group of savings and loan associations may enter the securities arena through a network of brokerages.

Item: Federal Reserve Board allows acquisition of Charles Schwab & Company, the nation's leading discount brokerage, by BankAmerica, the largest bank holding company.

Item: Comptroller of the currency accepts banks' petitions to acquire and operate discount brokerages.

Item: Federal Deposit Insurance Corporation allows a mutual savings bank to acquire a brokerage.

This is a sampling of how federal regulators of financial institutions have been breaking down the barriers that have prevented those institutions from offering many kinds of services to investors.

Have the regulators become too cavalier about granting such approvals? Have they exceeded their authority and wandered into Congress' legislative domain?

Securities industry executives strongly believe this is the case. They have filed separate suits against each of the regulating agencies to halt incursions by banks and thrifts onto what has traditionally been securities firms' turf.

They especially want to preserve the 1933 Glass-Steagall Act, which Congress passed to separate commercial banking from investment banking. There are only minor exceptions to the separation rule; for example, commercial banks have authority to underwrite general obligation bonds and government securities.

The Securities Industry Association, which represents 500 brokerages, has attacked what it calls "piecemeal erosion" of Glass-Steagall by the Fed and other agencies. It wants a comprehensive congressional review to see whether change in the act is warranted.

The SIA vehemently opposes bank entry into the securities field, citing advantages commercial banks enjoy over brokerages. The banks' advantages include legal authority to:

- Accept deposits, which gives banks an inexpensive source of capital.
- Borrow at lower-than-market rates from the federal funds market and the Federal Reserve; securities firms, like other businesses, must borrow at higher rates from banks.
- Take as a tax deduction the carrying costs associated with holding municipal bond inventories.

"We're in favor of deregulation and greater competition," says SIA President Edward O'Brien, "but we believe that all participants in the delivery of financial services should abide by the same regulatory ground rules."

Proponents of bank and thrift entry into the securities field point out that a mutual fund has been allowed to buy one bank and to establish another and that brokerages have been purchasing banks, too.

The securities industry retorts that any of its inroads into banking have been limited to (1) acquiring state-chartered banks that are not members of the Federal Reserve System and (2) establishing national bank and trust companies that will not accept deposits or make commercial loans—technically making them nonbanks.

LIKEWISE, banks and thrifts contend that they have only been acquiring discount brokerages that offer no-frills transactions—no salesmen, no investment advice, only buying and selling for the customer. Commission rates at such brokerages usually are 50 to 75 percent below those charged by full-line brokers.

But executives at many Wall Street brokerage firms—discount as well as full-line—are afraid that they are seeing the handwriting on the wall as they watch banks get into brokering.

"It's not so much the threat of a flood of proposals by banks to enter the discount brokerage business," asserts William Fitzpatrick, general counsel of the SIA. "It's the fear that the large money-center banks will take control" because each of them has capital resources that clearly outstrip those of the entire securities industry.

In approving BankAmerica's acquisi-

PHOTO THE WHITE HOUSE

Treasury Secretary Donald Regan and Vice President George Bush are on a task force studying possible consolidation of the agencies that regulate financial institutions.

tion of Schwab, however, the Fed stated that the move paved the way for increased competition in the brokerage field and "may induce full-line brokers to compete more vigorously for brokerage business on the basis of price." In fact, the Fed now has proposed adding discount securities brokerage and securities lending to the permanent list of bank holding companies' nonbanking powers.

A spokesman for the thrift brokerage network, INVEST, which is jointly owned by 25 savings and loan associations and mutual savings banks, insists that "we've got to diversify as a result of deregulation."

John W. Heilshorn, executive vice president of Citibank/Citicorp, decries the efforts of the SIA and other financial trade associations as "protectionist" and adds: "Each of our industry associations . . . is trying to protect its own turf," while the different financial sectors are trying to "drive a broader product line through their traditional distribution system."

George Ball, president and chief executive officer of Prudential-Bache Securities, maintains there is enough investment business to go around. "It's very hard to find the best of everything in a financial supermarket," he says. In response to SIA concerns, he says there always will be investors who need a full line of brokerage services as opposed to relying strictly on discount firms.

John Shad, chairman of the Securities and Exchange Commission, has no objection to banks' acquiring brokerages as long as the banks are "subject to the same taxation and regulatory constraints" as the rest of the securities industry.

Where does all this leave Glass-Steagall? In its annual report, the President's Council of Economic Advisers states that "Glass-Steagall now makes no important contributions to the protection of the public against bank failure or undue concentration of economic power."

Says Treasury Secretary Donald Regan: "Glass-Steagall was rolled out of Congress at the same time Henry Ford revolutionized the auto industry with the Model A. Both were great accomplishments. But today we wouldn't expect a Model A to compete at Indy [the Indianapolis 500 Speedway]. Likewise, we shouldn't expect the laws of the '30s to regulate the financial industry."

ALTHOUGH INTEREST in debating the merits of Glass-Steagall appears to be increasing in Congress, legislation to modify or repeal the law will probably go nowhere this year.

The prevailing attitude in Congress, observers say, is that the financial industry's problems were largely solved by passage of the Depository Institutions Amendments of 1982 and the creation of the new money market deposit account. There is, as well, concern in Congress that further broadening of investment powers for banks and particularly thrifts could lead to reduced residential mortgage lending.

House Banking Committee Chairman Fernand St Germain (D-R.I.) has promised to review Glass-Steagall in oversight hearings, but beyond that there is little likelihood of anything substantive emerging from his committee. St Germain, citing some banks' problems with shaky international loans, has said banks must show that their own backyards are in order before they are permitted to break new ground.

Senate Banking Committee Chairman Jake Garn (R-Utah) has also indicated there will be no repeal or major revision of Glass-Steagall this year.

SOME BILLS, HOWEVER, may get out of the Senate committee. One is a Treasury Department proposal that would slightly soften Glass-Steagall's hard line on the separation of commercial and investment banking. Under the bill, bank holding company subsidiaries—with the Securities and Exchange Commission as their regulator—could underwrite revenue bonds and operate mutual funds as well as get into insurance and real estate brokering.

The thrift industry wants its institutions included in the Treasury bill. In fact, thrifts' and credit unions' powers would be expanded (although not as much as banks') under similar legislation that has been introduced by Sen. John Chafee (R-R.I.). The Chafee bill would also give small institutions a break by letting them set up securities affiliates directly, instead of through separate holding companies.

Also given a chance to get out of committee is a bill dealing with the prickly bank-nonbank issue, which the Fed and other banking regulators do not agree on. Last month the comptroller of the currency imposed a moratorium through the end of 1983 on the creation of any more nonbank banks, to give Congress time to consider the issue.

The Fed contends that when other agencies approved a mutual fund's acquisition of a state bank and its establishment of a "nonbank" national bank and trust company, they violated not only Glass-Steagall but also the Bank Holding Company Act. The latter act prohibits companies that own banks from owning nonbank subsidiaries. The Fed wants legislation passed to define specifically what makes a financial institution a bank or a nonbank.

This squabbling could be resolved by the Task Force on Regulation of Financial Services, chaired by Vice President George Bush, which is now deciding on recommendations for revision of the federal regulatory framework.

It is unlikely that any legislation embodying the task force's ideas will emerge from Congress soon. Absent a crisis that compels action, Congress will probably be content to wait until the warring factions in the financial industry reach some kind of agreement on which changes in the law all of them can live with. □

Economic Outlook 1983–1985

HOUSING STARTS and new car sales are on growth trends that will see increases of 81 and 49 percent, respectively, between 1982 and 1985, the Forecast Center of the U.S. Chamber of Commerce reports.

It estimates sales of new automobiles at 11.9 million in 1985, compared with 8 million last year. It forecasts an increase from 1.1 million in housing starts to 2 million over the same period.

The figures appear in the Forecast Center's latest Economic Outlook, which estimates the performance of key sectors of the economy through 1985.

Inflation will continue to decline sharply through this year, the center forecasts, dropping to 3 percent from last year's 6.2 rate. The consumer price index will begin climbing again next year, according to the center's report, reaching 4.6 in 1984 and 5.5 in 1985, still a long way from the double-digit levels of a few years ago.

The unemployment rate, which has been above 10 percent for several months, is forecast to drop below that level in the third quarter of this year and continue dropping. It will reach 7.2 percent for 1985, the center says.

The center sees federal budget deficits of $186 billion for fiscal 1983, $166 billion for fiscal '84 and $165 billion for fiscal '85.

In the table below is its Economic Outlook report. Data for 1982 are actual, those for 1983–85 are forecast.

The current forecast assumes that the third-stage cut in personal income tax rates will take effect as scheduled this July and that tax indexing will take effect as scheduled in 1985. □

Keys to the Economy

(Percent change from previous period)*

	Quarters									Years			
	82:4	83:1	83:2	83:3	83:4	84:1	84:2	84:3	84:4	1982	1983	1984	1985
GROSS NATIONAL PRODUCT													
Real GNP	−1.1	4.3	5.0	6.7	5.5	5.5	5.9	5.9	5.3	−1.7	3.2	5.7	5.0
Consumption	4.5	2.2	4.5	5.5	5.1	4.2	4.5	4.5	3.8	1.0	3.5	4.6	3.8
Residential investment	39.1	55.0	40.4	22.7	11.6	12.2	12.9	17.2	16.8	−10.2	30.8	15.9	13.4
Business fixed investment	−6.0	−9.3	2.0	9.7	9.0	10.5	11.4	10.7	10.5	−3.6	−3.3	9.8	10.4
Equipment	−6.5	−9.3	4.8	14.9	10.7	13.0	13.8	12.5	11.5	−6.4	−2.8	12.3	11.0
Structures	−4.8	−9.2	−3.4	−0.5	5.0	5.3	6.1	6.6	8.0	2.9	−4.2	4.4	9.1
Exports	−21.6	−11.7	−0.9	3.5	6.6	7.3	7.4	6.5	5.9	−6.5	−8.5	6.0	6.7
Imports	−25.2	1.7	3.5	9.8	8.4	7.1	6.4	5.1	5.2	−0.2	−1.3	6.9	6.1
Government purchases	12.1	−1.8	−2.2	4.2	−0.4	1.7	4.5	3.6	3.9	1.5	2.4	2.3	3.4
Inventory change (In billions of dollars)	−48	−10	4	12	21	29	32	36	38	−24	7	34	42
New car sales (In millions of units)	8.7	8.3	8.7	9.7	10.2	10.4	10.8	11.2	11.5	8.0	9.2	11.0	11.9
Housing starts (In millions of units)	1.3	1.7	1.6	1.7	1.7	1.8	1.8	1.9	1.9	1.1	1.7	1.9	2.0
EMPLOYMENT, WAGES AND PRICES													
Unemployment rate (In percent)	10.7	10.2	10.0	9.8	9.5	9.1	8.7	8.3	8.0	9.7	9.9	8.5	7.2
Compensation	5.5	6.7	5.8	6.2	5.8	7.9	6.3	6.5	6.6	7.2	6.1	6.6	7.0
Productivity	2.0	2.5	2.9	3.1	3.3	3.1	2.5	2.4	2.5	0.1	2.6	2.9	2.1
Unit labor costs	3.7	3.7	2.9	3.0	2.5	4.7	3.7	4.0	4.0	7.1	3.4	3.6	4.8
Consumer prices	2.0	0.4	2.8	4.0	4.2	5.1	5.0	5.0	5.1	6.2	3.0	4.6	5.5
GNP deflator†	3.7	4.4	4.6	4.0	4.6	4.9	4.6	4.9	5.5	5.9	4.4	4.7	5.4
Prime interest rate (In percent)	12.0	10.9	10.1	10.0	9.7	9.5	9.4	9.2	8.8	14.9	10.2	9.2	8.7
PROFITS FROM CURRENT PRODUCTION (In billions of dollars)**	108	130	145	154	156	164	171	178	185	103	146	175	195

* Seasonally adjusted annual rates unless otherwise noted.

† An index that adjusts GNP for inflation.

** Corporate profits after tax.

Source: U.S. Chamber of Commerce, Forecast Center

His Firm Never Hits a Sour Note

By Sharon Nelton

PHOTO: NANES FINISHING & ASSEMBLY CORPORATION

Richard Nanes, whose award-winning company produced these computer covers, found that his training as a classical musician was an asset in business.

WHAT COMPANY HEAD doesn't dream of turning out products that are absolutely perfect? For Richard Nanes, the dream has come true—as a result of goal-setting, discipline and diligence on the part of his entire 200-employe company, which manufactures covers and other equipment for computers.

The effort had its beginnings about three years ago when International Business Machines Corporation adopted a "zero defects" program. Aim: to turn out only flawless products. But if IBM products were to be perfect, then components from independent suppliers would have to be perfect, too. So the program was applied not only internally but to contractors as well.

Nanes Finishing & Assembly Corporation, of Newark, N.J., was in a small group of suppliers targeted early to become "zero defect" companies. It was the first to achieve the goal. "We did it in eight months," says Richard Nanes. "It astounded everybody."

Late last year, IBM's Poughkeepsie, N.Y., plant presented Nanes with its first zero defects award. Nanes is the primary contractor for complex cover assemblies for IBM 3081 computers, made in Poughkeepsie.

Richard Nanes' drive for perfection began in early childhood, when he was regarded as a prodigy headed for a brilliant musical career. At age 5 he began studying piano, and by 9 he was already composing. As a young man he went to Paris to continue his studies, confident that on his return to the United States he would win the recognition he needed to succeed as a musician.

What he faced instead was the apathy that nearly all classical musicians except major prize-winners experience in this country. He made a painful decision to turn to business in order to create the financial base he needed for his musical interests. In the early 1960s, he joined a small firm that made cabinets for radios and electronic systems, and he began to absorb the world of business as a middle manager.

"I had no business background at all," Nanes recalls. But the rigid discipline of a musical life was readily adaptable to his new field.

As he saw the computer industry taking hold, Nanes pointed the company in that direction. His brother, Howard, followed him into the firm and they worked together to bring in other talented managers.

Richard Nanes became owner of the firm 15 years ago. Today it is an enterprise with sales of $20 million a year whose customers, besides IBM, include Monroe Systems for Business, Perkin-Elmer and International Telephone & Telegraph.

With his brother now installed as executive vice president, Nanes, the president, has begun to devote more attention to his first career. After a full day at the office, the 43-year-old bachelor spends five or six hours composing and practicing at his home, a 100-year-old converted carriage house in West Orange, N.J.

Plans are under way for Nanes' debut in Carnegie Hall in early 1984, and he has been recording Nanes compositions—from nocturnes to concertos—for his own label, Delfon. The four albums he has produced have won critical praise and generated excitement among listeners of classical music radio stations, notably New York's WQXR.

HOW WOULD THIS artist-executive advise other entrepreneurs to go about achieving perfect results?

"First," he answers, "top management has to be fully behind the fact that it is going to put out a quality product." Otherwise, he points out, the commitment to perfection will not filter down to all employes. Next, he says, a rigid system of inspection must be set up at all levels of operation.

When the first phase of Nanes' zero-defect program was installed in one area of the firm, the walls and floors were painted, new dress standards were instituted and lighting was improved. "We found that everyone wanted to be in that area," Nanes says. "They knew this was an area that management was taking great care in."

A system was devised for grading employes not only on their work but "even on how they dress and walk about. It created a competitive spirit."

When Nanes visits with student musicians later this year on a recital and master-class tour of college campuses, he will encourage them to "have a second economic foundation" behind them. Business, he will explain, has given him a "freer mind" to devote to music, unhampered by financial worry.

Does he really leave business concerns behind when he goes home at night to his piano?

"Sometimes," he once admitted to a reporter, "I'll stop in the middle of a composition and think, 'Gee, I wonder whether the last shipment made it through quality control.' " □

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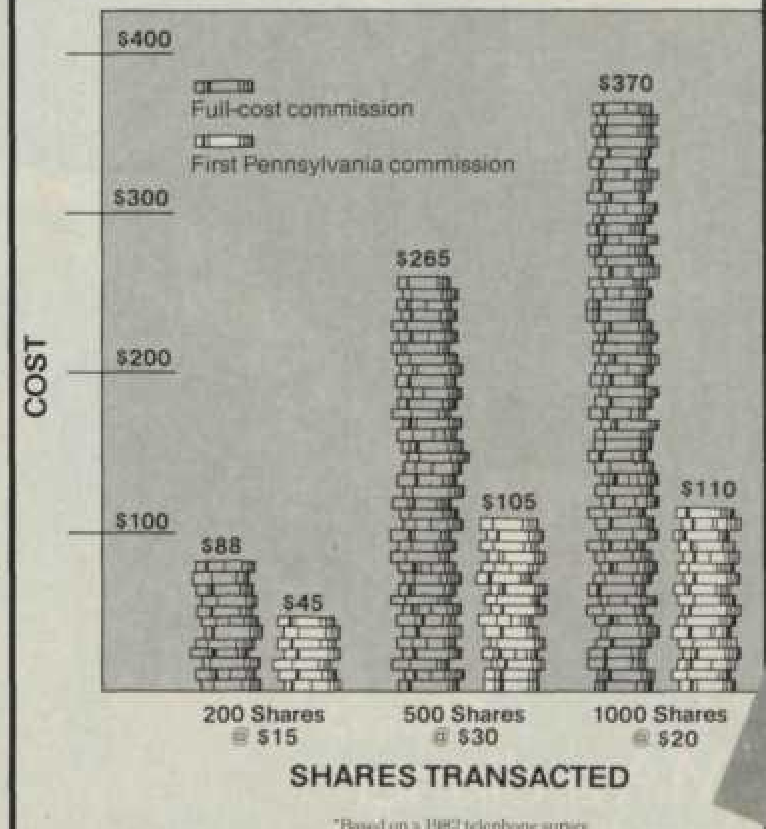

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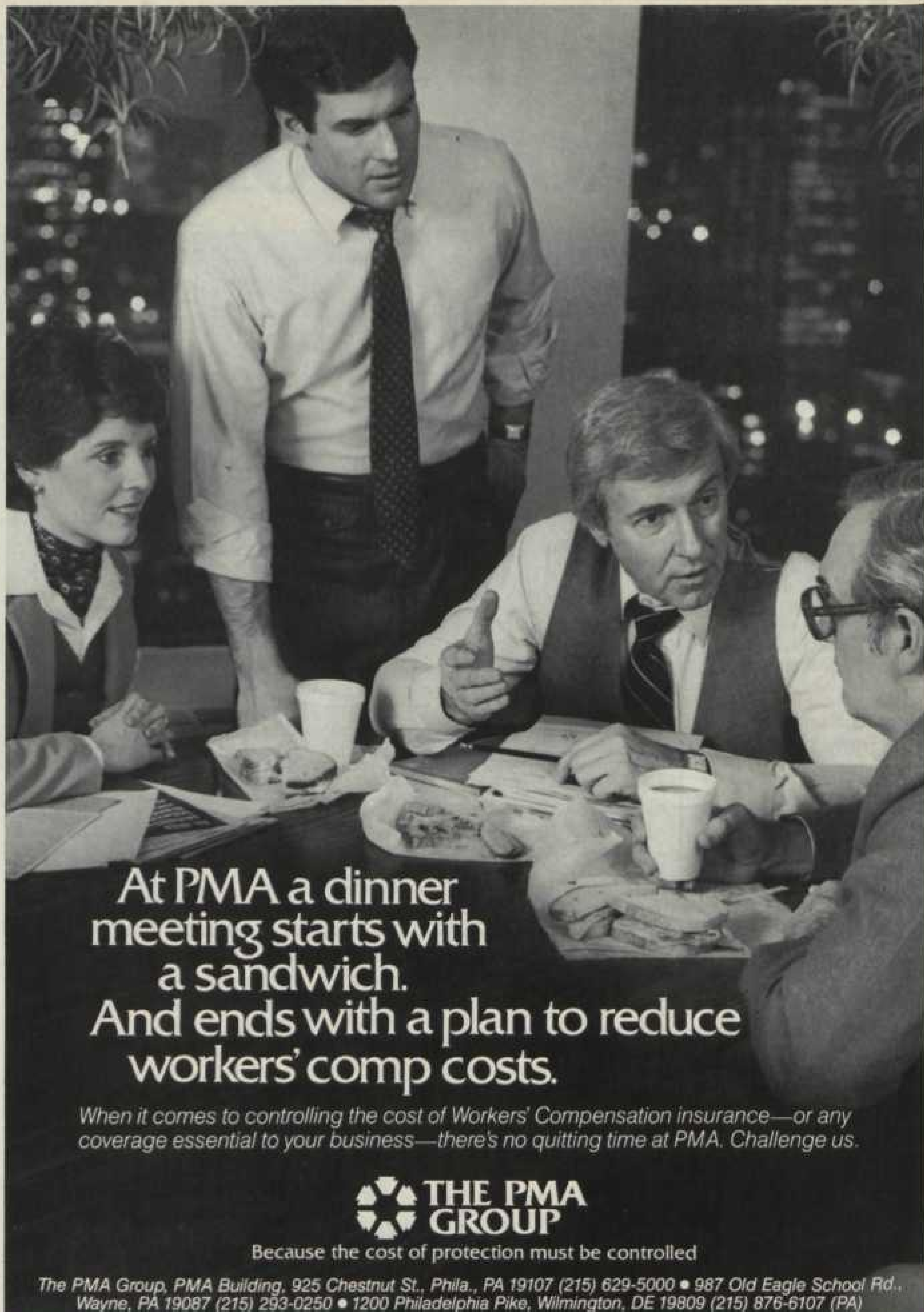
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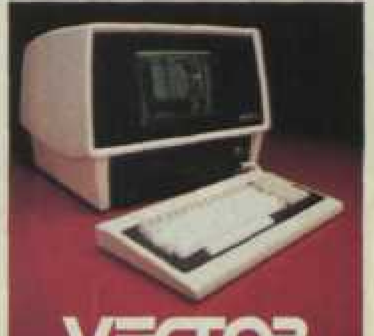

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Where I Stand

Repeal Indexing Of Income Taxes?

Between 1960 and 1981 the percentage of U.S. taxpayers who reached income tax brackets of 30 percent or above increased more than 11 times—from 3 percent to 34 percent.

The reason: bracket creep, as inflation pushed incomes upward. The result: incomes that might otherwise have kept pace with inflation did not.

Then Congress came to the rescue. A provision to index income taxes was added to the Economic Recovery Tax Act of 1981. Starting in 1985, tax brackets and exemptions are to rise with the cost of living.

Now there is a move to repeal indexing on the ground that the nation cannot afford it. Pro-repeal forces say indexing will increase already-huge deficits. Also, that there is less justification for indexing because inflation is down.

Supporters say indexing must be retained, not only for taxpayers' sakes—the less affluent will benefit most—but also because it will force the government to face up to spending policies and end reliance on inflation-swollen tax revenues.

Should indexing of income taxes be repealed?

☐ Yes ☐ No
☐ Undecided

Make It Tougher To Declare Bankruptcy?

After a new federal code making it easier to declare bankruptcy went into effect in October, 1979, the number of personal bankruptcies in this country rose dramatically. They are now running at an annual rate of 450,000—roughly twice the average for the dozen years before 1979.

Lenders have been suffering heavy losses. They, and others, argue that Congress should make it tougher for wage earners to use bankruptcy to avoid paying debts. Such avoidance, they say, results in higher prices and interest rates for other consumers.

A number of changes in the bankruptcy code have been proposed. Among them is one ensuring that nobody is forgiven debts piled up within 40 days before declaring bankruptcy and another permitting courts to consider potential income in deciding whether debts may be canceled.

Opponents of the changes say they would unfairly deny fresh starts to people who then might spend lifetimes struggling to meet obligations—their plights worsened by high interest rates that often are variable.

Should it be more difficult for wage earners to declare bankruptcy?

☐ Yes ☐ No
☐ Undecided

Force Employers To Be Immigration Police?

As Congress considers a major overhaul of U.S. immigration law, one proposal is particularly controversial.

Employers would be required to check identification every time they hired someone. An employer found to have knowingly hired an illegal alien would face a fine and, with repetitions of the offense, even jail.

In addition, all employers with four or more employes would have to keep forms on file stating that each person they have hired is not an illegal alien. An employer who failed to keep these records would face a fine even if the new hire was a U.S. citizen.

Proponents of these employer sanctions argue that most illegal aliens enter the United States to get jobs and therefore that the workplace is where illegal immigration is best attacked.

Opponents say that employers should not have to be law enforcers for the government and that the record-keeping requirement would be an unfair burden on business, particularly small business. If there must be employer sanctions, they should be limited to willful violations, the opponents say.

Should Congress pass the present employer sanctions proposal?

☐ Yes ☐ No
☐ Undecided

Verdict: The Davis-Bacon Act Should Be Repealed

The Davis-Bacon Act loses by a landslide—among readers of NATION'S BUSINESS, at least.

Ninety-eight percent of responses to a Where I Stand question about this law, asked in the March issue, were on the side of the law's foes. The question: Should the Davis-Bacon Act be repealed?

Davis-Bacon, signed by President Herbert Hoover in 1931 and later amended, requires contractors to pay the "prevailing" local wage on construction projects involving loan guarantees or financing by the federal government. In practice, "prevailing" wage translates into union scale.

The AFL-CIO says Davis-Bacon "helps assure stability in a generally unstable industry by guaranteeing adequate wage rates for a skilled construction labor force."

Opponents of the law, however, say that it fuels inflation, unnecessarily adds billions to government spending, shrinks the job market by forcing contractors to tighten up hiring and protects workers who are paid very well.

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The Office Takes Off

A technology explosion is sending the office of today hurtling into the future.

Computer firms showed off their wares to executives at a recent exposition in Washington. Rapid technological change has spawned a host of new companies, some of them offering help in choosing among the new electronic systems.

DEVELOPMENTS in electronics and computer technology are radically changing the face of today's office environment, but there is much more to come—soon. Innovations are being made so quickly that some state-of-the-art equipment seems practically obsolete by the time the marketing brochures are off the press.

Executives face a maze of possible electronic solutions to the age-old problems of how to improve productivity, reduce overhead and increase profits.

At one end of the maze is the powerful mainframe computer. At the other end is the desk-top—even briefcase-size—microcomputer. In between are all sorts of other systems like word processors, "smart" telephones, printing systems and scanners.

As the cost of human labor continues to rise, the cost of computer "labor" is coming down. Office machines powered by chips the size of a fingernail now offer capabilities that only a roomful of machinery could provide a few years ago.

Computer power can now be distributed throughout the office. Instead of being concentrated in data centers, information can be directly at the fingertips of those who use it—the managers and their support staff.

The technology explosion has launched a myriad of new companies, too, all with new services aimed at improving office and business operations, all looking for a piece of the action. New jobs are created; new career paths emerge. At the same time many existing jobs and careers change.

All of this also portends changes in how people work and where they work.

Every office environment is different because every company's needs are

Video terminals and other signs of the computer age are multiplying in offices all across the country—and the revolution is just beginning.

unique. Companies have their own trained staff to handle their data processing, to analyze the marketplace and company workflow requirements and to recommend solutions. Other firms need outside assistance, and for them a good consulting firm may be the answer.

Developing a well-conceived plan is the first step, according to Joel D. Levy, of Rochester, N.Y., a former systems planning manager for Bausch & Lomb, Inc., and now a systems consultant.

Many major computer companies offer systems design assistance to their clients. That may be fine for some firms, Levy says, but others may prefer an approach not tied to any one company's hardware.

Senior management must be involved, Levy points out, so that the system designed to meet information needs is consistent with a company's long-term business objectives. Levy suggests establishing a study team to examine the company's present method of handling information, its strengths and weaknesses, its objectives and needs. With that information in hand, the systems available to meet those needs can be analyzed.

Companies like Micronet, Inc., of Arlington, Va., were established to help business executives determine which system is best for them. Micronet operates the "paperless office" in Washington—in effect, a model electronic office where business people can seek advice on their information problems and can try out equipment that might solve those problems.

"We work closely with small and medium-sized businesses," says Merle A. Coe, Micronet's president. "A tremendous amount of computing power is available for under $15,000."

IN FACT, Donald H. King, president of Wilson Management Systems and Technology Group, of which Micronet is a part, says that new super microcomputers with many times the memory of most of today's popular models are just now being introduced. They can support up to 32 work stations at a time—many more than the others. By connecting these new machines via special equipment, King adds, up to 126 net-

PHOTO: DAVID VALDEZ

Information systems executive Donald King says new microcomputers can store much more information than many computers now in use. Even a large corporation will be able to operate with a single data base serving everyone in the company.

works of 32 work stations each can then be joined into one big system.

"A secretary can operate everything," King says. "You no longer have to have the high-tech people to manage your data base. More and more businesses have access to new technology that can help them become more efficient."

In large corporations, King points out, three separate sets of information—data bases—are used to run the company. Usually, they are unconnected; separate groups of people control them. The central data processing department handles the company's major data base, mid-level managers and some executives use desk-top computers, and the secretarial staff is in charge of the word processing system.

"This has developed over time in a piecemeal fashion," observes King. "Today we can bring it all together. We can make everybody more efficient, and we can save money."

At a recent industry exposition in Washington, Micronet displayed a miniature version of its "paperless office" and demonstrated some of the latest in electronic office gear. One computer had a voice-activated device that could be programed to recognize one voice exclusively or to respond to the public at large.

A Micronet employe demonstrated how a salesman on the road can telephone an order directly into the computer, giving it a customer number and product number. The computer checks inventory for the product's availability and reports back orally (in a female voice). If the product is available, the computer issues shipping orders.

James L. Bast, president and chief executive officer of Dictaphone Corporation, of Rye, N.Y., stresses that the salesman must speak slowly and distinctly to use such a computer. Within three to five years, he says, new computers will be able to recognize a voice in normal conversation. And within 10 years, he predicts, the computer will be able to convert voice messages into copy on a screen or on paper—without transcribing them first.

DICTAPHONE recently introduced its System 6000 word processor, which begins at under $6,000 and which has achieved another kind of breakthrough, according to Bast. Simple everyday language is used instead of punch-in codes and special commands in "computerese."

For example, if personnel records are maintained on the system by using the

"straight talk" program, the employe relations manager can type in a few simple questions and quickly obtain a plot of employe demographic groups. Such a task might previously have required several hours of manual data gathering and interpretation.

The System 6000's main job is to handle text, says Bast, but like other state-of-the-art word processors it uses computer chips and can handle many of the same calculating tasks as today's microcomputers. Moreover, its design allows use of programs from other firms and access to networks with other terminals and small business computers.

According to Bast, Dictaphone's primary competition comes from other manufacturers of word processing equipment—IBM, CPT, Digital, Lanier, Wang.

This computer can be programed to respond to voice commands, from one person exclusively or from anyone. It replies audibly, too—in a female voice.

MICROCOMPUTER manufacturers are also moving into the picture. Apple, Radio Shack, Altos and others offer inexpensive systems that can handle many information requirements, including word processing, at extremely reasonable cost.

In fact, Seequa Computer Corporation, of Annapolis, Md., recently introduced a portable business computer, called the Chameleon, that weighs 28 pounds and retails for $1,995. It, too, has word-processing capability.

So does the single biggest seller in the IBM computer line, the micro Personal Computer. IBM, long known for massive mainframe computers, recently announced an enhanced version of the Personal Computer that has a huge memory system. It retails for about $5,000. The Personal Computer can work alone or can be tied into a company's central computer, providing access to information stored there.

The increasing use of electronic automated equipment at all company levels can cause changes in a company's employment mix and the influence employes have within the office structure. As a result, new management problems can crop up.

Micronet's King recalls the day that the president of a major bank came to see him because of conflicts between his operating people, who wanted systems that would give them more control over the data base, and the computer department manager, who was resisting the change.

"The CEO is getting beat up from both sides," says King. "Where does he go within his organization to get meaningful advice?" That, of course, is where Micronet and other computer consultants come in.

Lynne B. Noyes, vice president of marketing and sales development at Dictaphone, agrees that concerns about who wields influence in the office and how secure jobs are often arise when an office is automated or computer systems are changed. "Roles are redefined," she says. "Need for a corporate data processing center still exists, but there are bound to be changes in the employment structure of a company as equipment can take over more and more functions and you can place it wherever you want. Often it means that you will redeploy people."

Robert A. Shiff, president of Naremco Services, Inc., a management con-

Computerized Campaigns

The rapid development of microcomputers for use in the office has spawned a growing cottage industry of men and women who find ways of filling specific needs not met by the manufacturers themselves.

For example, Donald H. Herche, 28, who works in his townhouse in Washington, has been using a Radio Shack microcomputer in his work as a political pollster for several years.

Working with campaigns, it became obvious to him that a small computer with the right kind of software could dramatically speed a campaign organization's direct mail and fund-raising efforts. So Herche developed a unique program specifically for politicians and is now marketing it with his polling services.

In fact, Herche carries his consultant role one step further. He has developed an equipment lease arrangement to provide campaign managers with the equipment they need.

"The reception is incredible," reports Herche. "Campaign staffs need to be able to do things fast. And they can't afford mistakes. They are amazed at what can be accomplished."

Most word processor screens cause 12,000 tiring dilations of the eye per day.

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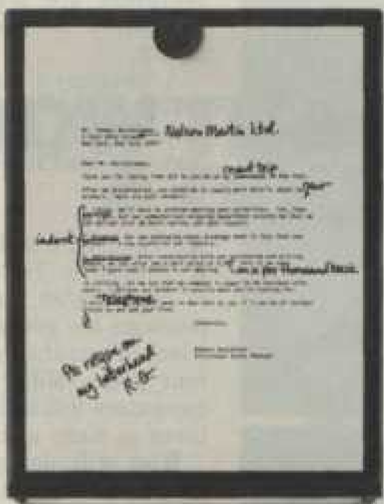

For some reason, most word processors have dark-colored display screens.

Which means the people who use them have to look back and forth between a dark screen and white paper all day—as much as 12,000 times a day.

According to Dr. Gerald Radl, a German scientist who studies the workplace, this can cause eyestrain, headaches, and dizziness.

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sulting firm in New York, notes that "the rumor mill works overtime whenever a far-reaching change is in the air." He suggests keeping employes informed of company plans as much as possible and making clear to them the advantages of the change.

In one company, he says, an employe told a supervisor about rumors that a new computer system would cause wholesale layoffs of the clerical staff and that a "whole new breed of operators" would be needed. There were stories that the computer would keep track of job performance and play havoc with existing promotion systems.

The supervisor went to her superior for answers and informed her key people that there would be no layoffs; attrition would handle expected staff reductions. Yes, new skills would be needed, but employes would be trained. Better records would indeed be kept, thus reducing errors and increasing merit opportunities. New administrative assistant positions would be created, offering further opportunities for advancement.

PHOTOS: DAVID VALDEZ

As computers are introduced by more and more companies, executives, supervisors and clerical workers must get used to them. Sometimes employes suffer from "compuphobia"—psychological stress arising from a fear of computers. Manufacturers are responding to such fears by making their machines "user-friendly."

A recent report by International Resource Development, Inc., of Norwalk, Conn., notes that "compuphobia"—psychological stress stemming from a fear of computers—has its most severe impact on older employes. They worry about not being able to use the machines or about being replaced by them.

Many computer sales people report that such fear among executives is a major problem. Noyes says an executive will tell himself that "it would be great to save a couple of hundred thousand dollars, but I'm not going to look like a fool." That is why so many manufacturers are trying to make their equipment "user-friendly"—less intimidating.

A company's movement toward the "office of the future" may mean structural changes in the work force, but it may also lead to new career opportunities.

IN FACT, Janice H. Miller, president of Women in Information Processing, of Washington, says at least 200,000 positions are going begging because of a lack of qualified people. Over the next four years, Miller predicts, 30 million computers will be installed, about three times as many as in the past 15 years.

Who will design, sell and install them? Who will train 20 million new users? Who will integrate the new machines into the information processing infrastructures that already exist?

More people need to be computer literate when they enter the work force or try to change jobs, Miller says. "You don't need to know how to design the computer, just use it."

Robert J. Pascal, group vice president at Pitney Bowes Business Systems, of Stamford, Conn., predicts that as today's teen-agers, raised on home computers and video games, move into the work force, they will be demanding jobs where computers are involved.

"The kids are going to have an impact on the kind of equipment used in the business place in the future," says Pascal. "They will expect video displays, whistles and bells."

Where will that new generation of office workers work?

Richard C. Harkness, senior strategic planner at Satellite Business Systems, of McLean, Va., suggests that "alternative work sites" may be just around the

corner as a result of the computer revolution.

He says the day may soon come when corporations establish neighborhood, or satellite, offices that are linked to headquarters and with each other via desk-top computers and videoconferencing hookups.

Computer technology makes it possible for many people to work at home if their systems are linked to their offices, he says, but there is much resistance to that idea because of the lack of human contact—the fear of loneliness.

However, by working in a neighborhood office—perhaps in a building that houses the satellite offices of several firms—a worker would have human contact and yet avoid commuting to a downtown office. Energy use and pressure on transportation systems would be reduced. Videoconferencing also could alleviate the problem of loneliness, since it would allow people to see others when they speak.

HARKNESS is careful to say that he is not advocating such a concept. "But it has some benefits, and it deserves exploration," he says. "I admit it's a bit futuristic, but when they started to talk about videoconferencing in 1971, it was considered a screwball idea. Look at it today."

Cost savings might result from using videoconferencing and computer hookups as an alternative to repeatedly transferring employes from job site to job site, Harkness says. The average cost last year of transferring an employe who was a homeowner was $26,000, he notes. Employes might also accept lower salaries if they could choose where they worked.

Videoconferencing in meetings large

PHOTO: DAVID VALDEZ

PHOTO: PAUL CONKLIN

Richard Harkness (top), who plans for future uses of computers, sees a time when it will be possible for many employes to work at home or at other "alternative work sites." They will be linked with each other and with their employer by a network of desk-top computers.

and small is increasing. Merrill Tutton, an executive in charge of business marketing management at American Telephone & Telegraph Company's offices in Basking Ridge, N.J., says businesses establishing new branch offices should consider outfitting their conference rooms with videoconferencing facilities.

Not all such rooms need video capabilities, Tutton says. "Audio-only rooms are relatively inexpensive. You will need high-quality audio equipment and acoustical treatment. That's about it."

Long-distance conferences work well, he says. People are more polite and better prepared, and such conferences don't last as long as face-to-face meetings.

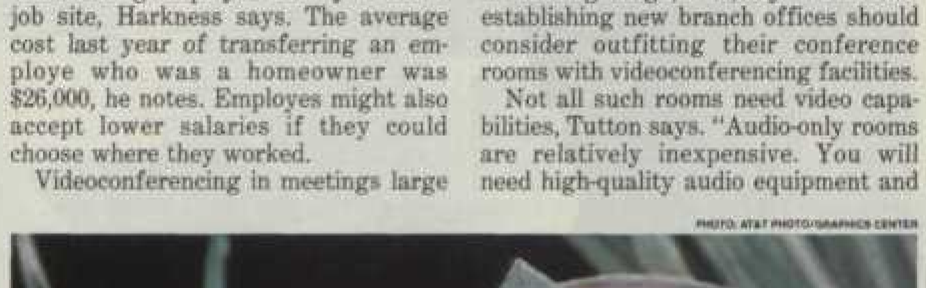
COMPUTER SYSTEMS are also making it possible for many firms to save money through the use of telemarketing. By tying a toll-free 800 number into a computerized data base, businesses are using telemarketing for sales and for customer service.

Computer equipment can provide detailed information, for example, about a sales prospect, including personal likes and dislikes, credit rating and purchasing patterns, Tutton notes. Through use of the data base, prospects can be instantly qualified.

The system has important advantages for customer service, he says. The Whirlpool Corporation places an 800 number on its appliances. When customers have a problem, their calls are answered by a technician. Whirlpool has "found that over 90 percent of those problems can be handled over the phone," Tutton says. "It makes the customers happy, and it saves them the cost of a wild goose chase."

Data transmission—movement of

PHOTO: AT&T PHOTO/GRAPHICS CENTER



AT&T has installed the first leg of a laser-powered fiber optics system on the East Coast. Voice and data transmissions are sent over glass strands like these.

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The blackboard behind the woman is the old-fashioned kind—but she is explaining a new "electronic blackboard" that engineers can use to communicate between cities.

words and numbers from one geographic location to another—is important to the shape of the office of the future. AT&T has just announced completion of a new laser-powered fiber optics system that will beam voice and data communications between Washington and New York over hair-thin strands of glass. By 1984, a 776-mile system will connect Boston, New York, Philadelphia, Washington and Richmond.

"Light pulses, rather than electrical signals, will be the workhorses of the information age," said Robert W. Kleinert, president of AT&T's long lines department, in announcing the system. It is part of the company's expanding network of advanced digital communications systems, being installed nationwide, that includes digital microwave, satellite and cable routes, as well as the laser systems.

AMERICAN SATELLITE COMPANY of Rockville, Md., recently announced a new service, Infosat, a computer network with satellite transmission capabilities. Tandem Computers, Inc., provides the computer systems, and ASC's satellites are used for data transmission.

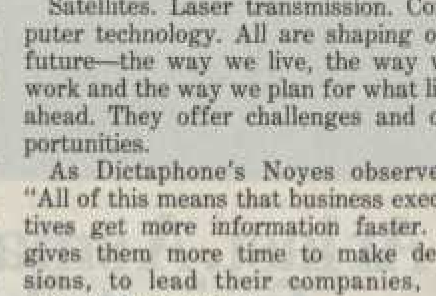
Debra L. Benham, manager of marketing communications at ASC, notes that the service allows continuous operation for on-line transaction processing and information systems management. "And since satellites are being used to transmit the data, large amounts of information can be transmitted to user locations faster, more economically and with greater accuracy than over leased telephone lines," she says.

Benham notes that digital communications—across the continent or between continents—represent "one of the central elements" on which business will depend in the future. Industry analysts have predicted that satellite services will increase as much as 30 to 50 percent through 1990.

Satellites. Laser transmission. Computer technology. All are shaping our future—the way we live, the way we work and the way we plan for what lies ahead. They offer challenges and opportunities.

As Dictaphone's Noyes observes, "All of this means that business executives get more information faster. It gives them more time to make decisions, to lead their companies, to achieve their goals." □

Going First Class in the Mailroom



Computers have made processing mail simpler, faster—and more prestigious.

Using the latest computers and word processors can help speed production and improve efficiency, but if the mailroom still uses outdated equipment, the resulting bottleneck could end up defeating the purpose of your investment.

Computer technology has come to mail processing equipment, providing faster service and better information for management, according to Robert J. Pascal, group vice president of Pitney Bowes Business Systems.

"The old days of throwing a letter on a mechanized scale and setting the postage meter are over," says Pascal. "Now you can put a letter or parcel on a scale that shops for the cheapest method to send and computes the rate. You hit a button and out comes the postage."

Some systems are tied directly into a company's computer. Mailing costs can automatically be entered into the accounting system, providing improved and faster information for managers. "Mailing costs are a major expense for many firms," says Pascal. "This helps manage those costs."

Improved equipment is making work in the mailroom more attractive. "In the past the mailroom was always down in the basement next to the boiler," he says. "And so was the status of the job. But today its status has been elevated. The attitude of employes who use the equipment is much better than in the past."

UNEMPLOYMENT COMPENSATION:

The System Isn't Working

Thanks to recessions, inflation and generous benefits, many states have gone deep in the hole.

By Annette Kornblum

THE RECESSION may be ending, but it has deeply scarred the nation's unemployment compensation system. The system as a whole is almost $20 billion in debt; so far, 28 states' unemployment trust funds have gone into the red.

Most of the debt is concentrated in four industrial states—Pennsylvania, Michigan, Ohio and Illinois. But by 1984 as many as 40 states may be borrowing from the federal government in order to continue paying benefits, and the debt may grow to $30 billion. The federal government's unemployment trust fund has itself become insolvent; federal general revenues have been used to bail it out.

ANNETTE KORNBLUM *is a Washington free-lance writer who specializes in business subjects.*

What has loosed this torrent of red ink? Principally, these factors:

- Three progressively deeper recessions.
- Recovery periods that were not long enough to permit the states to replenish their reserves.
- The pressures of inflation, which drove up benefit and administrative costs.
- The availability of interest-free federal loans to the states' unemployment trust funds.

The unemployment compensation system is actually 53 separate programs—for the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands—with varying rules and levels of payments. Each state designs its own program, determining how it should be administered and financed, within a framework established by the federal government.

Federal law determines which groups of workers should be protected and imposes a payroll tax on employers to pay for the states' administrative costs. The federal government also responds to major recessions by providing additional benefits when a jobless worker's basic state-funded benefits run out.

Few observers are ready to say that the system is on the verge of collapse. Yet many think that its long-term stability will be threatened unless remedial steps are taken quickly at both the federal and state levels.

"The severe financial problems besetting the unemployment compensation system have reached dimensions that threaten its viability," warned two U.S. Chamber of Commerce officials who testified in February before the Subcommittee on Unemployment Compensation of the House Ways and Means Committee.

Organized labor echoed the business community's concern. "The near-depression levels of unemployment are severely straining the nation's unemployment compensation system," Bert Seidman of the AFL-CIO told the subcommittee.

Prospects are poor for any speedy solution. The Reagan administration expects unemployment to hover around 10 percent throughout 1983. A growing number of workers will use up their basic unemployment benefits, which last as long as 26 weeks and are financed by state payroll taxes on employers.

Extended benefits—for up to 13 additional weeks during periods of high unemployment—are financed by both state and federal payroll taxes. However, many workers have been unemployed for more than 39 weeks because of the severity of the latest recession. Workers in the 19 states with the highest unemployment rates now qualify for an additional 24 weeks of supplemental benefits, funded from fed-

PHOTO: DAVID VALDEZ

As unemployment climbed during the recession, more and more workers applied for benefits—and more and more states sought federal loans to pay for those benefits.

Labor Secretary Raymond Donovan (center), Assistant Secretary John F. Cogan (left) and Administrator William Lewis supported voucher payments in Senate testimony.

eral general revenues, for a total of 63 weeks of benefits.

All three tiers of benefits were temporarily threatened in mid-March as Congress struggled with a jobs bill added as a rider to a $5 billion appropriation for federal loans to almost 30 states' unemployment trust funds. A last-minute compromise ended the crisis, but not before a dozen states had run short of benefit funds for a day or two.

The Social Security reform bill passed in March also was a vehicle for changes in unemployment compensation.

As APPROVED by Congress, the Social Security bill provided up to 10 additional weeks of supplemental benefits for the estimated 1.3 million jobless workers who would have exhausted all benefits by April 1. The measure did not include an administration proposal that would have required recipients of supplemental benefits to have worked 30 weeks and would have disqualified those who had quit or had been fired for misconduct. The final cost of the additional benefits, according to Labor Department calculations, will be close to $3 billion.

Congress also voted to allow long-term unemployed workers to apply part of their benefits toward a group health plan. But two proposals advanced by the White House were not part of the bill in its final form.

The first would have permitted some benefits to be paid in vouchers, rather than in cash. Organized labor and business both strongly opposed the voucher plan, under which an employer would get tax credits for the vouchers he received when he hired a worker who had been unemployed six months. The AFL-CIO complained that employers might lay off workers and hire new ones to qualify for the tax benefits.

The administration sent three top Labor Department officials—Secretary Raymond Donovan, Assistant Secretary John F. Cogan and William B. Lewis, administrator of the office of employment security—to testify in favor of the voucher system before the Senate Finance Committee in February. The Senate approved a voucher provision; however, it was dropped from the bill before final passage.

The second unsuccessful Reagan administration proposal would have allowed states to spend up to 2 percent of their unemployment insurance tax receipts on retraining the long-term jobless.

"We're running out of money as it is," said a lobbyist for one state. "How can we justify using the same funds for retraining?"

By providing the $5 billion in loan money to the states and extending supplemental benefits, Congress dealt with problems that required immediate action. There was some irony in this, because in 1981 and 1982 Congress passed bills that were supposed to put the unemployment compensation system on a sounder footing—but that was before the severity of the back-to-back recessions was fully visible.

Last year, Congress increased the federal unemployment tax rate to 0.8 percent on the first $7,000 of each employe's wages. It also required the states to raise their maximum tax rate—assessed on employers with a history of high layoffs—beginning in 1985. (The taxable wage base for a state's tax may be higher than the federal tax's $7,000, if the state chooses, just as the state sets its own tax rate.)

In 1981 Congress for the first time levied interest—up to 10 percent—on federal loans to states that had exhausted their own benefit funds. The interest, starting with loans made after April 1, 1982, was intended to discourage reckless borrowing. States that stopped borrowing were given a reward: a cap on the delinquent loan recovery tax. This tax is assessed on employers in states that are in default on their federal loans; the rate goes up 0.3 percent annually.

In response to these changes in the law, at least 23 states have moved to curb costs by freezing benefit levels, raising taxes and making it tougher to qualify for benefits. Several states have set aside money to pay interest on their loans; such interest will amount to some $500 million this year, according to the Labor Department, and could soar to $8.3 billion by 1988.

This year several states with higher-than-average unemployment benefits—notably Michigan, Ohio, Illinois and Pennsylvania—appealed to Congress to scrap the interest charges until the economy improves.

"STATES CANNOT alone shoulder the financial burden that was in part created by decisions and policies at the national level," said Michigan Gov. James J. Blanchard at the House subcommittee hearings in February.

Although sympathetic to the states' plight, Congress has been inclined to follow a carrot-and-stick approach—promising to relieve the states of some obligations if they take steps to restore their programs to solvency.

"States have got a problem on the interest and loans, but we've got a problem in that we don't have the money either," said Sen. Robert Dole (R-Kans.), chairman of the Senate Finance Committee, who met for two hours with governors from several depressed states.

The states argued that, despite their belt-tightening measures, persistently high levels of unemployment throughout 1983 would force them to continue borrowing and make it difficult for them to repay their debts quickly.

"What will already be a slow economic recovery for the industrial states will be slowed even further" without debt relief, Illinois Gov. James T. Thompson told the Finance Committee at hearings in March.

The House, when it extended supplemental benefits as part of the Social Security bill, did not take up the question of the solvency of the states' unemployment trust funds.

But the Senate adopted, and the House accepted, a plan proposed by Sen. Dole that permits a deferral—not forgiveness—of 80 percent of a state's interest obligation. A state that requests such a deferral must take steps to improve its unemployment trust fund's solvency through benefit reforms and tax adjustments. The legislation also caps increases in the delin-

quent loan recovery tax in those states that have acted to restore solvency.

The business community is divided over whether the states should receive such relief. At the federal level, there has been some tough lobbying against either forgiving or deferring payments on loans and interest. Says Eric Oxfeld, staff attorney with the U.S. Chamber of Commerce: "Our philosophy remains unchanged—states must pay interest, and we're adamant that loans can't be forgiven."

But some employer groups in hard-pressed states don't take as hard a line. "We're not asking for total forgiveness but for breathing room to get our feet back on the ground," says Leonard Day, manager of labor relations at the Illinois State Chamber of Commerce.

The Reagan administration has given the cold shoulder to the idea of easing the burden on the debtor states. Martin Feldstein, chairman of the Council of Economic Advisers, says that interest on the states' debts "is a useful discipline. . . . It eliminates the free ride."

Given the difficulties that afflict the unemployment compensation system, an increased federal role of some kind—as rescuer or as disciplinarian—seems inevitable.

That may tilt the balance decisively toward federal control of a system that was once a rare example of a true partnership of the federal government and the states. And whatever the outcome, higher taxes for employers appear to be inevitable. □

The Hard Road Back to Solvency

Business groups are proving that jobless benefits can be reformed.

SOME STATES, like Michigan and Louisiana, have responded to shortages in their unemployment trust funds by enacting stiff reform packages. Many people in these states are impatient with other states that have done little or nothing.

Says Rep. W. Henson Moore (R-La.), a member of the House Subcommittee on Unemployment Compensation and Public Assistance: "They want to have their cake and eat it, too. To control their programs but to get federal dollars to pay for them."

Congress has shown that it is prepared to reward states that make serious efforts to put their programs back on their feet.

Vincent Zanca: "We were lucky that a lot of things fell into place" so that Louisiana could reform its faltering system.

Michigan, which has a 17 percent unemployment rate and owes the federal government $2.8 billion for loans to its unemployment trust fund, has taken drastic steps to restore its program to solvency by 1986 through a series of tax and benefit reforms. Congress responded to the state's efforts by granting Michigan a 1 percent reduction in the interest rate and cutting the special tax assessed on employers in states that are delinquent in repaying federal loans.

Coalitions in Washington and across the nation have begun grass-roots campaigns to make slow-moving debtor states feel the heat. The organizers of these campaigns want to educate business people about how the system works and how it affects them, and ultimately to stimulate reform of state unemployment compensation laws.

One such campaign has already been successful in Louisiana. Vincent Zanca, a member of the Louisiana Business Task Force on Unemployment Compensation, says the task force was instrumental in reshaping that state's law after Louisiana was forced to borrow $230 million in order to continue paying benefits. More than 60 trade associations, including the Louisiana state chamber of commerce and a number of local chambers, combined to push for changes.

Says Zanca: "We were lucky that a lot of things fell into place—we were going broke, organized labor had diminishing clout, we had a Republican governor [David Treen] for the first time since 1877 and an unemployment insurance administrator [C.J. Blache] with legislative experience."

Changes include higher tax rates, a cap on the maximum weekly benefit amount at $205 (producing annual savings of $35 million) and toughened eligibility requirements for applicants (with estimated annual savings of $20 million).

The story is much the same in states like Ohio, Illinois and Michigan, where business-labor advisory groups recommended changes in state laws.

Some of the most striking reforms have been made in one of the least likely places—the District of Columbia, seat of the federal government.

At the start of 1983, the District's unemployment fund was $57 million in debt, with a $74 million debt in prospect at the end of this year. Interest charges on the borrowed federal funds would exceed $3 million in 1983.

To deal with this crisis, the District government raised payroll taxes by $11 million and reduced spending on benefits by $15 million—cutting the benefit period to 26 weeks (from 34), disqualifying workers who were fired or refused to accept suitable employment, and freezing the maximum weekly benefit at $206. The reform package was supported by the Board of Trade, representing employers in Washington.

At the national level, an unemployment compensation strategy group housed at the U.S. Chamber of Commerce has brought together a range of business organizations, including the National Federation of Independent Business, Associated General Contractors and the American Retail Federation, as well as representatives of national companies. Since it was established in 1980, the group has held regular strategy sessions aimed at influencing federal legislation. It was instrumental in securing the passage in 1981 of changes in federal law that will save employers nearly $10 billion over four years.

"In many states the business community has been divided in seeking reforms and has wasted its energy," says Eric Oxfeld, a Chamber staff attorney who is the ad hoc leader of the unemployment compensation strategy group.

But that is changing.

Says William R. Brown, director of the National Employers' Task Force on State Unemployment Insurance: "We're beginning to find a common ground." □

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Creating a Cash Cushion

A Chrysler Corporation executive tells how a new approach to financial control helped save his company. Your own company may want to try it.

By Christopher J. Steffen

HARD TIMES can benefit a company by forcing it to come up with better management techniques.

Such has been the case at Chrysler Corporation during the past few years. The approach Chrysler adopted, a different system of financial control, might help your company, too—not just in bad times but in good times as well.

The speed and intensity of the 1980 recession caught much of corporate America by surprise. For more than a decade, interest rates had remained relatively stable while the dollar's value kept shrinking. Many companies, including Chrysler, routinely borrowed, expecting that continued inflation would allow them to pay old debts in cheaper dollars. A highly leveraged operation made good business sense.

When the prime rate hit an unprecedented 20 percent in April, 1980, however, these firms found themselves operating in a new and radically different economic environment. U.S. auto sales plummeted. By May they had hit their lowest level in 22 years. The widening recession threatened any firm that failed to adjust rapidly.

High interest rates caused consumers to defer car purchases. Banks cut back on auto loans to avoid low ceilings imposed by state usury laws. Inventories became increasingly expensive to finance. For example, inventory costs of Chrysler dealers increased from $74 per vehicle sold in 1976 to $269 in 1981.

CHRISTOPHER J. STEFFEN *is vice president and controller of Chrysler Corporation. He directs all corporate financial control and accounting activities.*

Not only did Chrysler weather this economic storm, but it strengthened its cash position. This was a result of a unique profit-and-cash-management program launched in October, 1981. The program's basic principles can be applied to almost any company.

In 1980 Chrysler's recovery was heavily dependent on the timely launching of the new K-cars, Dodge Aries and Plymouth Reliant. The company had already borrowed $1.2 billion from private investors, but as the recession deepened, it became obvious that the K-car launching could not get under way without new financing.

Given Chrysler's highly leveraged position, lenders were reluctant to extend further credit to the company. So Chrysler petitioned for and was granted federal loan guarantees of $1.5 billion. The company drew down $800 million of guaranteed loans in two installments in 1980 and another $400 million in early 1981.

However, each time Chrysler went back for a drawdown, it got negative publicity. Rather than risk more by returning for the remaining $300 million, top management decided to raise needed money internally—to establish a $500 million cash cushion through improved management of working capital.

The controller's office began a three-phase program: educate all levels of the company about the need for cash conservation, develop a list of cash opportunities and restructure the cash-forecasting system.

Traditionally, automotive manage-

ment's actions had been based on profitability. The history of the industry indicated that if you managed for profit, the cash was always there. In profitable times, management's main concern regarding cash was the investment of idle funds and the timing of spending on extensive capital programs.

In the critical cash squeeze, it was thus important that all operating personnel be educated to both the cash and profit effects of their actions. The message was constant and consistent: think cash; minimize raw material and other productive inventories (that is, inventories directly related to vehicle production); cut back staff support, general maintenance and other administrative costs not required to directly support vehicle production; stay on top of billings and receivables, and time purchases to optimize vendor payment terms.

PHOTO: ANDREW SACKS

Raising $500 million internally was the aim of Chrysler's strategy. It actually generated $900 million, says Controller Christopher J. Steffen (third from left), conferring here with other members of the company's financial team.

The second phase required identification of potential cash sources. A work committee was given three mandates:

• Identify areas of the balance sheet where cash was tied up. Initial findings showed almost 200 distinct opportunities for generating cash. This list was ultimately condensed into a formal action plan of about 50 separate ideas that could be implemented immediately. Some ideas were as straightforward as reductions in productive inventories, more favorable supplier-payment terms and a tightening of credit policies.

• Suggest ways to create a positive cash flow. One example: Adopt inventory control procedures, patterned after those used in many Japanese companies, to time delivery of supplier components precisely when they will be needed. Determine how much cash each idea could generate and identify the senior executive responsible for implementation. The committee asked each of those executives: Can the opportunities be implemented (and if so, when)? If not, what changes would make an idea feasible? Responses were consolidated into a formal cash-improvement program, which was monitored regularly with weekly status reports to senior management.

The third phase of the profit-and-cash management program required a responsive and disciplined cash-forecasting system that could support operating decisions.

Because management traditionally had made decisions on a profitability basis, financial control systems were designed to report and track against established profit goals. Reporting of financial data from the company's plants and other reporting centers thus was segmented. Profit forecasts, budgets, and performance, inventory and capital spending reports all flowed through the office of the controller, responsible for corporate financial control and accounting activities. But cash forecasts, although coming from the same locations as the profit forecasts and other financial reports, flowed directly to the office of the treasurer, who manages Chrysler's dealings with the financial community.

This structure was adequate when most operating decisions were based on profits and the company's primary cash concern was making information available for short-term investment planning. If there was a cash shortfall, short-term debt was taken on or revolving credit lines tapped. In the new environment, however, neither option was practical.

Clearly, the reporting structure was outdated. A task force was assembled to strengthen the cash-forecasting system and integrate it into the profit-forecasting system.

The company did not have the time or resources to start a new system from scratch. So the task force recommended that all financial data—including those on cash—flow through the controller's financial reporting system. We simply integrated the cash forecast into our primary financial control system. Cash is now reviewed and consolidated, consistent with profit, inventory and other forecast data. A consolidated operations cash forecast also is given to the banking department to meet investment responsibilities.

THE PROGRAM more than achieved its target of $500 million. By the end of last year, Chrysler's balance sheet showed nearly $900 million in cash and marketable securities (excluding a $200 million investment in Chrysler Financial Corporation's commercial paper). Most important, Chrysler built its cash cushion without compromising the future product program and while the company remained current in its payment obligations to all suppliers.

As Chrysler was succeeding in generating large amounts of cash through the program, cost control actions initiated in prior years were beginning to bear fruit. By the end of the first half of 1982, the company was able to show an operating profit—despite a prolonged depression in auto sales. The third quarter also resulted in an operating profit, and the fourth quarter would have resulted in the third consecutive operating profit but for a strike in Canada that cost the company an estimated $125 million.

As a result of the profit-and-cash-management program, the corporation has learned how to achieve and maintain a better mix of working capital elements. Confident that sufficient controls are now in place, senior management no longer scrutinizes the cash consequences of even the smallest expenditure—as it once did. However, the cash-conscious forecasting system will remain an essential part of standard operating procedures. And the company expects to continue reaping the benefits that good cash management so clearly provides. □

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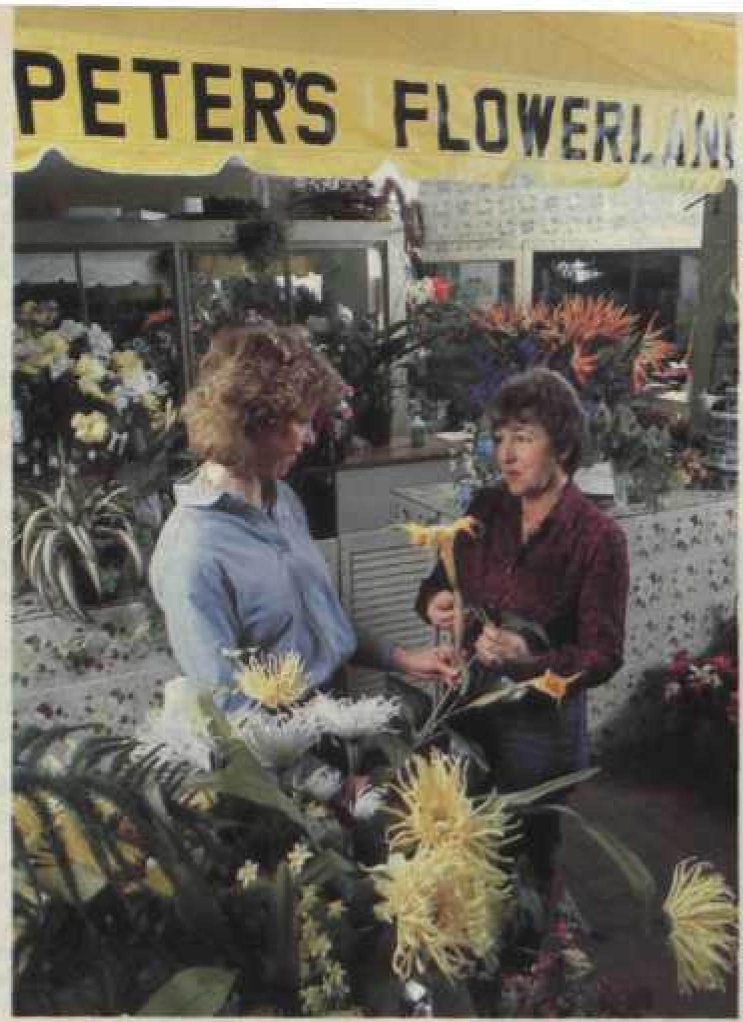

Many small firms are family affairs. Joyce Chaconas (right) runs a shop in Washington as her husband, Peter, opens another.

PHOTO: DAVID VALDEZ

The Optimistic Risk Takers

A new study of American small business shows one dominant characteristic.

SMALL BUSINESS people take the biggest risks but are the most optimistic group in America.

That is one of the findings of a study of the owners of firms that gross less than $300,000 annually. Comprehensive Accounting Corporation, of Aurora, Ill., a franchisor of professional accounting services, commissioned the study to draw a profile of a potential market for its 350 franchisees.

Leo G. Lauzen, chairman of Comprehensive Accounting, says the study shows that "absolute optimism" is the outstanding characteristic of small business people.

"These are the risk takers, the entrepreneurs who borrow on their homes, borrow from relatives and friends and then, with a lot of hope, go about making a dream come true. They are not only optimistic about success in business, but as a group are more optimistic about America and life in general."

The study was conducted by Research & Forecasts, Inc., of New York. Small businesses of the type surveyed represent 92 percent of all American businesses and employ a third of the nation's work force.

From the results of the survey, the typical small business owner emerges as a white, married male with at least two children. He is between 35 and 49, is politically conservative, works more than nine hours a day and has been in his present business less than 10 years.

These are some of the specific findings of the study:

• Retail firms make up 46 percent of the businesses grossing less than $300,000. Service and professional firms account for 39 percent, wholesale and manufacturing 6 percent each, and others 3 percent.

• Males constitute 78 percent of the small business owners, females 22 percent.

• Only 33 percent of the businesses surveyed have five or more employes; 30 percent have three or four, and 37 percent have two, one or none.

• In the previous 12 months, 30 percent of the business people surveyed had taken no vacation; 11 percent took 1 to 3 days; 26 percent, 4 to 10 days; 14 percent, 11 to 15 days; 4 percent, 16 to 20 days, and 15 percent, more than 20 days.

• Of the 33 percent of the owners who are college graduates, one in four has also had graduate work.

• Eighty-four percent of the owners say they enjoy their work very much; 16 percent say they like it somewhat. None report not liking it. Almost half—48 percent—work more than nine hours a day; 19 percent work nine hours, and 33 percent less than nine hours.

• Family members work with 55 percent of the owners; 85 percent of the owners are married, compared with 58 percent of the general population. Only 6 percent of the owners are divorced or separated. Large families are relatively common—17 percent report having four or more children; 20 percent, three children; 30 percent, two children; 17 percent, one child, and 16 percent, none.

• Forty-two percent rate themselves more conservative than the general public, 44 percent believe their views are similar to those of the average American, and 12 percent consider themselves more liberal than average.

• In the 1980 election 66 percent voted for Ronald Reagan. The owners split into three camps of equal size in rating Reagan's efforts to reduce government regulation. A third of the owners rate his efforts as good to excellent, an equal number rate them fair to poor, and the remaining third think it is too soon to tell. But 68 percent say that if an election were being held now, they would vote for Reagan.

• Two thirds of the owners think that the interests of small business could be better represented in Washington by a cabinet-level position.

The portrait of the small business owner that emerges from the survey, says Lauzen, is of an aggressive, highly motivated individual—and the study's title reflects that assessment: "Smaller Business: America's Backbone." □

—Grover Heiman

Incomes of Heads Of Smaller Businesses*

Annual Income	Percent
Less than $20,000	27
$21,000 to $30,000	27
$31,000 to $40,000	18
$41,000 to $50,000	11
$51,000 to $60,000	7
$61,000 to $70,000	3
$71,000 to $100,000	4
More than $100,000	3

*Sales of less than $300,000 annually.

ILLUSTRATIONS: WILLIAM COULTER

How To Handle Gripers And Goof-Offs

Here are ways to solve five employe problems.

By W.H. Weiss

EMPLOYES WHO HAVE poor attitudes on the job are a never-ending source of irritation and frustration to supervisors. They create unrest and reduce productivity by, among other things, complaining chronically, avoiding work and doing an inadequate job. As a supervisor, you can be alert for opportunities to foster good work attitudes.

The following cases represent five of the most frequent attitude problems found among employes. A possible solution is offered for each case.

Poor attitude toward the workload

Dick S., a beef cutter, was not pleased when the cutters' workloads were increased to solve a work-flow problem on the production line. Members of the cutting crew were idle part of the time because carcasses moved rather slowly through their department, while in the processing department finishers had too much to do. Company management decided to correct the imbalance by giving the cutters some of the finishing work.

On the day the new work pattern is put into effect, Dick complains to you, his supervisor, about the extra work. He says the company should have hired another person in the finishing department rather than transfer part of the work to the cutters.

You expected Dick to complain; just a few weeks ago, he had asked that the conveyor be slowed down because "the work is too hard."

Solution. During your career as a manager or supervisor, you will undoubtedly encounter workers who gripe about increased workloads. You can curtail much complaining if you explain the reason for the increase beforehand and ask for each employe's cooperation. If you give people time to prepare for a change, they will more readily accept it.

Often, when people complain about how much work they are doing, they are simply asking for attention. If you satisfy that need, you'll have happier, more productive people working for you.

Explain to Dick that management studied conditions carefully before deciding to give the cutters some of the finishing work. Because of space limitations, it is not practical to add someone to the finishing department, and the company is not in a position to hire more people. Operating costs have increased, competition is stiffer, and the company is barely making a profit. (Tell Dick these things, of course, only if they are true.)

Encourage him to suggest a better way to handle finishing jobs so that the workers would be more efficient. Tell him that the company appreciates his input and that he will be given credit for any constructive, practical suggestions.

Poor attitude toward female supervisors

Buck R. has been hired as a dock hand at a large shipping terminal. He comes from a home in which his father made all the decisions while his mother raised the children, did the housework and tried to please every member of the family.

You are Buck's supervisor, and you are a woman. You face a real challenge. Buck has made it clear he does not accept you, and you have heard him remark to others that "women should stay home and take care of the kids." You wonder whether he might refuse to do a job you give him, or perhaps deliberately do it incorrectly and then blame you for giving him poor instructions.

Solution. Go out of your way to talk to Buck about the work so that he will

W.H. WEISS *has written extensively on management, engineering and maintenance.*

get to know you. Once he learns that you handle the job no differently than a man would, you should be able to get along with him.

Let him observe how you supervise other male employes. Discuss the job and work assignments with other men when he is present. Let him see that you are a capable supervisor and should be treated as such.

If you can arrange it without being obvious, do some of the work yourself instead of just directing. Pitch in when Buck and the others are very busy so that you will lighten their load and show that you can do a "man's job."

If Buck still does not accept you, talk with him about your position. Point out that more and more women are successfully handling jobs once thought to belong to men and that you demonstrated long ago that you could handle this job.

Tell him that the other male employes have accepted you and that you would like to know why he has not. Regardless of how he answers, you should see a change in his thinking shortly afterward.

Most men who complain that men do not like to work for women have never worked for a woman. By being task-oriented and not involving themselves with personalities, women in supervisory positions can successfully supervise both men and women.

Poor attitude about avoiding waste

"It's difficult to avoid waste in a machine shop." That's what Rick B., a machinist, tells you, his supervisor, when you question him about the large amount of scrap in the bin near his lathe.

Since his first day on the job three months ago, Rick has not been a skilled or conscientious worker. He has never really tried to improve his workmanship in order to reduce the waste he creates.

He was once overheard telling a fellow machinist, "With all the money the company is making on these special parts, they can afford to have me slip once in a while and not turn out perfect pieces."

Solution. Rick has some misconceptions about how much profit the company makes and how the skill and efficiency of the employes affect that profit. You have to convince him that waste and inefficiency hurt the company.

Get cost figures on the material and parts he works with and show him what one of his mistakes costs. Describe the overhead charges, the cost of the equipment he is using and the cost of maintaining that equipment. If possible, let him know just how much profit the company will make on some jobs, to show him that it is not excessive.

Emphasize the need for high-quality workmanship. Point out that substandard work could result in the cancellation of an order and loss of future business. Tell him that he is going to have to improve his performance or he may lose his job.

However, let him know that you would prefer to have him stay on and that you are going to suggest to your superior that Rick receive training. Then follow through with your promise.

Many times, an employe's poor attitude toward waste can be traced to management's inadequacies rather than to the worker's bad temperament. Bill, a new supervisor in a job shop, spoke to one of the sheet-metal workers he had seen wasting a lot of material. The man told Bill he had given up trying to save metal long ago.

On further questioning, Bill learned that the worker's attitude stemmed from a feeling that the company failed to provide adequate tools and equipment. Checking out the man's story with other employes, Bill found that there was a lot of truth to the complaint.

Bill soon convinced management to invest in new equipment. It was not long before the amount of waste dropped dramatically as the job shop's employes became more efficient and cooperative.

Poor attitude about cleaning up

As a reactor operator in a synthetic rubber plant, John S. earns the top rate of pay. He seems to understand the procedures and work practices. But, as his supervisor, you have had trouble convincing him to keep the work area clean and to pick up after himself, especially when chemicals have been spilled.

When he is asked to clean up, John usually responds: "That's not my job. The company has janitors for that type of work."

Solution. Your job is to sell John on doing a good job of housekeeping by showing him that it is to his benefit. Your arguments should mention the high status and responsibility of the position of reactor operator. Emphasize that a job site that looks neat and well organized to visitors is a good reflection on his position.

Or point out the consequences of poor housekeeping. Show John that good housekeeping eliminates most major causes of accidents and fires. Tell him you are sure he wants to be safe on the job. Remind him that no one wants to wait for a janitor to arrive to take care of hazardous chemicals or slippery liquids on the floor.

By making housekeeping one of the requirements of a job, a company emphasizes its importance in running a safe and efficient operation. Good housekeeping

improves the morale and productivity of the employes. Poor housekeeping, on the other hand, leads to mental fatigue. Surroundings that are depressing can make the work seem more difficult and boring than it really is.

Poor attitude toward company work rules

Tom H., a serviceman in a clothing factory, has been criticized for not cooperating with other employes in seeing that the department makes its production quota each day. It is his job to keep the sewing machine operators supplied with all materials.

But Tom has not made enough trips on his supply truck; the operators occasionally run out of material and sit idle until he makes another round. Tom is also known to take extra time for coffee and smoking after his rounds.

As Tom's supervisor, you asked him to make more trips, explaining why. You told him that no operator should ever have to wait for him to bring an item and that he would be disciplined if that happened again.

Today you were informed that Tom had just told the operators he would make a round only when at least two of them called to say they were out of material. What should you do?

Solution. The company must have work rules to run the business, maintain control and assure the safety of employes. It is your responsibility to enforce those rules.

Send Tom home immediately, telling him to report early the next morning to the personnel department for a meeting to decide what disciplinary action the company will take. If Tom is a union member, tell his union representative of your action. Also, inform your personnel manager of the incident and the upcoming meeting. Then meet with your supervisor to decide what should be done about Tom.

Unless company policy dictates otherwise, suggest a one- to three-day suspension. In view of Tom's record and your warning about not causing operators to sit idle, your personnel department may recommend more severe discipline.

Many managers have found that delaying discipline until the next day enables them to handle personnel problems better. By "cooling off," you can avoid the rash words and decisions that often result when your emotions are provoked by an incident. You also gain time to gather information from witnesses on what actually happened and might learn why it happened. □

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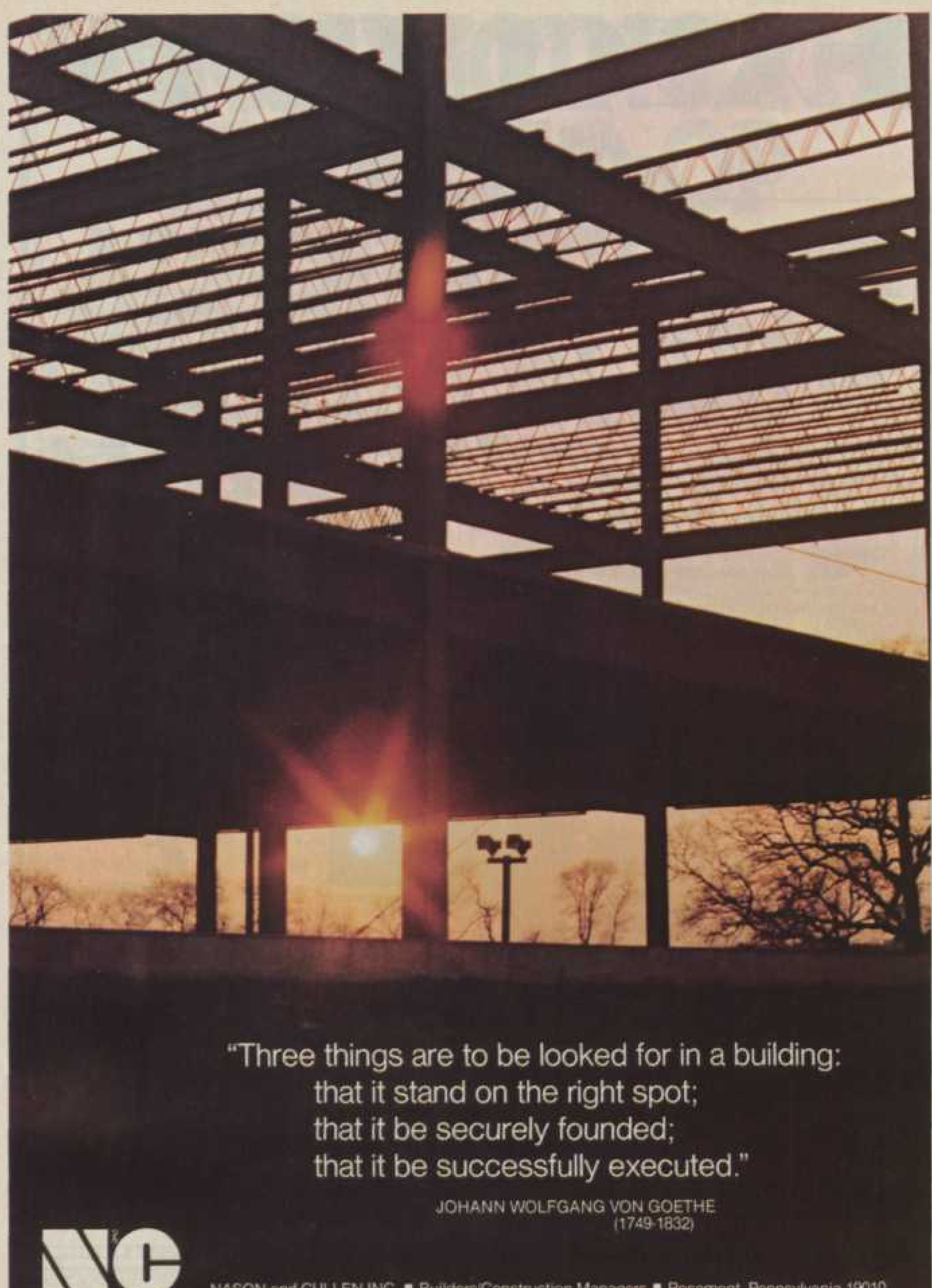
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Building Tomorrow Together

In the past 12 months, the U.S. Chamber of Commerce has proved itself uniquely qualified to lead the business community.

Aggressive legislative and political agendas, combined with a revolutionary telecommunications system, have given the Chamber and its constituencies unprecedented visibility.

The Chamber has used this visibility to generate support for its members' views—even when those views do not conform to the popular policies of the day. This structurally sound foundation has enabled the Chamber to formulate a lasting program for sustained economic growth.

In the opinion of Chairman Robert T. Thompson, "1983 could be one of the most critical years for national economic policy in our lifetime." The following pages illustrate how the Chamber has set the stage for achievements in 1983 and beyond.

1983 Annual Report
Chamber of Commerce
of the United States

Robert T. Thompson is the first practicing attorney to serve as chairman of the U.S. Chamber's Board of Directors.

Mr. Thompson, senior partner in the law firm of Thompson, Mann and Hutson, in Greenville, S.C., was elected to the board in 1971. Since then he has served in a number of top-level capacities, including treasurer and regional vice chairman.

Dr. Richard L. Lesher assumed the presidency of the U.S. Chamber of Commerce in 1975, and since that time has emerged as a leading national and international spokesman on business issues.

Dr. Lesher also is recognized in the business community as an accomplished speaker, author and broadcast commentator.

Edwin D. Dodd, chairman of the board and chief executive officer of Owens-Illinois, Inc., is vice chairman of the U.S. Chamber's Board of Directors.

Since he joined the Chamber board six years ago, Mr. Dodd has been active on a number of committees. He is currently a member of the budget, executive, international policy, and natural resources committees.

Mr. Dodd, Mr. Thompson, Dr. Lesher

This past year presented many challenges to the business community and to all Americans committed to a vision of growth and economic liberty.

Even before 1981 tax cuts took effect, the prophets of gloom and doom were joined by many politicians in an attempt to return to the failed tax and spend policies of the past decade. In response, the Chamber led the campaign to stop a return to economic hari-kari and we can be proud of our accomplishments. Lower tax rates, a saner monetary policy, and some progress in controlling federal spending and eliminating over-regulation have brought us to the beginning of a real and sustainable economic recovery.

To continue this important work, the Chamber has embarked on an expanded membership program and a three-year, multi-million dollar capital fund drive, the Spirit of Enterprise Campaign—which is already running ahead of schedule.

In the next year, a growing Chamber will mean a strengthened voice for business in Washington and a brighter future for all Americans.

Robert T. Thompson

Robert T. Thompson, Chairman

The U.S. Chamber and all its members can be proud of the accomplishments of the past year. While many politicians and even some in the business community doubted the wisdom of the bold initiatives of 1981, the Chamber stood as a bulwark against those special interests who would have dragged America back to the failed policies of the past.

And our trust in what Americans can accomplish has proved sound. Over half a million new businesses were incorporated this year and the economy is beginning a recovery—free of double-digit inflation.

Working together with its almost one-quarter million members, the Chamber has begun to rededicate America to its founding principle of economic liberty. We can look forward to even greater accomplishments in the future.

Richard L. Lesher

Richard L. Lesher, President

As the business community looks forward to economic recovery, there may be a tendency for some in the business community to become complacent.

We cannot afford this luxury. Recovery did not fall into our laps—the business community labored long in the vineyards to elect responsible, business-oriented candidates and to raise public support for economic policies that stressed economic growth and sound money.

The Chamber's "Let's Rebuild, America" program began five years ago. We can be proud that most of this program is now law. But much more remains to be done.

In the upcoming year, the business community, led by the Chamber, will tackle the runaway growth of federal spending and the deficits they spawn.

Together, we will meet these challenges and ensure a decade of growth and a recommitment to the principles of free enterprise.

Edwin D. Dodd

Edwin D. Dodd, Vice Chairman

Bringing Washington and business face to face

Last November, President Reagan urged support for his job-creation initiatives before audiences in 37 cities. And he did it without leaving Washington.

The President's unusual address took place across the street from the White House—in the U.S. Chamber's $3.5 million telecommunications center.

His appearance was by television via satellite over BizNet, the Chamber's new American Business Network. Members of the audience spoke with him using audio capabilities.

Since October, when the television network was launched full-scale, the U.S. Chamber has become the recognized hub of business-oriented communications.

Videoconferencing events like the President's introduced two new ingredients that BizNet brings to business communications—immediacy and the capability to interact directly with national policymakers. The U.S. Chamber's ability to instantly affect public policy has earned it the attention and respect of business advocates everywhere.

In addition to one-time events, the Chamber is using its new facilities for a series of live question-and-answer specials that give business groups in other parts of the country an opportunity to talk with nationally prominent guests in Washington on topics ranging from political action to the economy.

After participating in one such special, a state chamber of commerce member wrote, "The whole town is still talking about our meeting."

Another mainstay of the Chamber's network is its regularly scheduled programming, which is beamed via satellite to subscribers across the country.

For 15-20 hours each week, subscribers can see and interact with Chamber experts and their nationally known guests, as they discuss an array of business-related issues. Political projections, international trade information, small business reports, association/chamber news, and economic trends are just some of the features now offered.

The magnitude of BizNet's potential as a powerful business advocate became even more apparent this past January, when seven million additional homes began receiving the Chamber's live weekday news show "BizNet News Today" as a result of an agreement between BizNet and the Modern Satellite Network. Similar agreements with other cable firms are being discussed.

Tackling controversial issues

The Chamber also uses its dynamic telecommunications center to generate other broadcast programs.

"It's Your Business," now in its fourth year, features hard-hitting debates on business and economic issues. The show's guest list reads like a Who's Who of national leaders. "It's Your Business" is aired each week by more than 150 commercial television stations to audiences ranging up to two million homes.

National radio listeners tune in each week to "What's The Issue?" the Chamber's public affairs program dealing with current issues and events. Four hundred radio stations, including the Mutual Radio Network, air the show.

Publishing business news

The two flagship periodicals published by the Chamber played a prominent role in its expanded communications program this past year. The monthly magazine *Nation's Business* increased its coverage of Washington legislative and political trends, and provided its more than 810,000 subscribers with the latest small business and economic developments.

Washington Report, the weekly business advocate newspaper, broke new ground when it became available on a subscription-only basis. For their money,

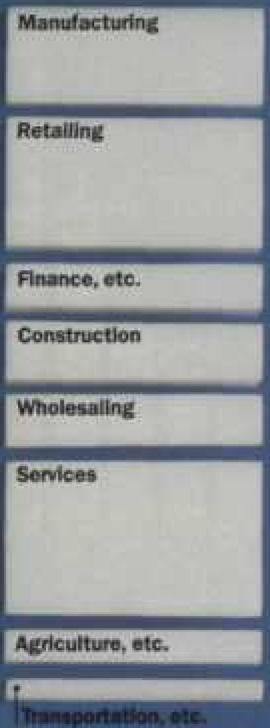
Above: Following an address to audiences in cities across the country using BizNet facilities, President Reagan conferred with Group Vice President Carl Grant and Chamber President Lesher.

Left: BizNet staff members made final preparations for the first full day of broadcast operations.

A record of consistent growth (Total Chamber membership on April 1 each year)

U.S. Chamber membership has more than quadrupled since 1975, providing increased clout in Washington and throughout the nation.

The Chamber's member companies represent every segment of the American economy. The cumulative strength of these 223,400 firms is augmented by member organizations—2,800 state and local chambers of commerce, 46 American chambers abroad, and 1,200 trade and professional associations—for total membership of 227,400 businesses and organizations.



Member companies by category

Manufacturing:	38,500
Retailing:	49,800
Finance, insurance, real estate:	16,500
Construction:	23,500
Wholesaling:	17,700
Services:	55,700
Agriculture, mining, fishing, forestry, petroleum:	13,200
Transportation, utilities, communications:	8,500

subscribers will find timely features, an expanded "Business Alert" column, improved graphics, and generous use of color.

Visual education

Chamber-produced business and economic education programs continue to have widespread appeal. More than 1,000 businesses and organizations have ordered the Chamber's new slide show "Is There Social Security in Your Future?" *Economics for Young Americans*, a multimedia education program, enjoys an excellent distribution in the school market.

Charting an ambitious course

At the heart of the U.S. Chamber's "Let's Rebuild, America" program is its steadfast commitment to the budget and tax proposals set forth in President Reagan's economic recovery program. Backed overwhelmingly by members, the Chamber enthusiastically endorsed the Economic Recovery Tax Act of 1981—and vigorously opposed last summer's $98 billion tax hike.

In a letter to Congress urging that the tax increase bill be defeated, Chamber President Richard L. Lesher cautioned that the bill jeopardized the "new beginning" that the business community had helped forge the year before. Despite this warning, Congress passed the measure. But without intense lobbying by the Chamber, the impact of the bill on the business community could have been worse. A coalition led by the Chamber prevented passage of a broad-based corporate minimum tax, lessened the measure's effect on closely held businesses, and modified pension provisions.

Spreading the word

The Chamber relies heavily on a diverse, sophisticated communications network to generate support for its legislative objectives. As representatives of the nation's largest private business federation, Chamber officials and staff members are familiar faces on Capitol Hill. U.S. Chamber members and staff specialists testified 162 times during the 97th Congress.

Before resigning as Chairman of the Chamber's Board of Directors to become the Defense Department's No. 2 official, Paul Thayer addressed audiences all over the country on behalf of the Chamber's legislative initiatives. His successor, Robert T. Thompson, a long-time member of the board who is senior partner in the law firm of Thompson, Mann and Hutson; Vice Chairman Edwin D. Dodd, chairman and chief executive officer at Owens-Illinois, Inc.; Dr. Lesher; and Chamber issue experts also traveled extensively on behalf of the Chamber.

With the advent of BizNet, the Chamber was able to use videoconferencing to promote its legislative agenda. The *Congressional Action* newsletter alerts members to important issues on the Hill. And member surveys conducted by the economic policy division last year helped the Chamber plan policies.

Topping the Chamber's legislative agenda for this year are measures calling for federal budget constraint; revisions in the cost-of-living adjustment formula for federal programs and in the consumer price index; reduced taxes and reform of the tax system to promote investment, employment, and economic growth; and a consitutional amendment to balance the budget.

Reducing the enormous federal budget deficit is imperative. But the Chamber remains adamant on reducing outlays—not raising taxes—to cut the deficit and promote economic growth.

"Economists of the world agree on very little," Chamber Vice Chairman Dodd noted in a recent speech to Colorado business executives, "but one place where you do find consensus is that a tax increase during a recession won't reduce the deficit and it won't put people back to work."

Supporting candidates

The Chamber and its political action committee, the National Chamber Alliance for Politics, actively supported pro-business candidates in last year's elections. Since its inception in 1977, NCAP has chalked up an admirable record, scoring victories in 321 House and Senate races for a cumulative 59 percent "win" record.

The Chamber continued its 24-year push for greater individual and business involvement in the political process through its new political education program "See How They Run: Action Course in Practical Politics," introduced in 1982.

Easing the burdens on business

In the mid-1970s, the Chamber launched a campaign to unify a powerful and informed business community that could help reduce the federal government's intrusions on the private sector. One of the Chamber's

Right: Chamber Chairman Thompson frequently testified on Capitol Hill in support of legislation favorable to business.

Below: Presidential Counselor Edwin Meese (right) was introduced by Group Vice President Larry Kraus at an NCLC luncheon.

major policy thrusts since then has been influencing Congress to undertake serious regulatory reform.

During the past year the Chamber redoubled its lobbying efforts on Capitol Hill, and joined other business groups in calling for reforms of regulations and reporting requirements that help decrease productivity, fuel inflation, and force up interest rates.

In the coming year, the Chamber will use all its resources to push for additional reforms, such as repeal of the Davis-Bacon Act, and to oppose further regulatory intrusions on the private sector.

To ensure future supplies of low-cost electric power from nuclear fuel, the Chamber supported legislation authorizing the Clinch River Breeder Reactor and nuclear waste management. The battles are not over, but so far the Chamber's view has prevailed.

The Chamber emphasized some of the basic unfairness in the administrative requirements of the Clean Air Act by publishing a list of the hundreds of counties that stand to lose millions of dollars in federal construction funds and more in business development due to possible bans on new construction.

Advancing employee health and prosperity

"This is proof positive that business and government can work together to help workers of America," observed Dr. Lesher shortly after the Jobs Training Partnership Act was enacted. The Chamber was instrumental in developing and winning passage of this innovative measure. In a special BizNet television broadcast at Chamber headquarters, President Reagan appealed to top business people across the country to help ensure that the new partnership between business and state and local government works.

Social Security reform has been one of the Chamber's chief concerns. A strategy formulated by staff experts and approved by the Chamber's 65-member board stressed slower growth in benefits; further revisions in the cost-of-living adjustment formula; universal coverage of workers, including federal employees; and a gradual increase in the retirement age.

At a news conference last December, the Chamber announced the long-awaited findings of a task force on the nature of National Labor Relations Board decisions. The study, under the leadership of Chamber Chairman Thompson, concluded that the NLRB is philosophically imbalanced in favor of labor, and underscored the significance of pending appointments to the board.

The Chamber also played a decisive role in defeating a bill that would have forced employers to police the hiring of illegal aliens.

Supplying background information

Research, surveys, forecasts and publications prepared by staff economists provide the expert background information used by the Chamber to formulate long- and short-term policies.

Last summer the Council on Trends and Perspectives began a series of studies designed to improve

Above left: House Energy Committee Chairman John Dingell (D-Mich.) addressed the Chamber's "Breakfast Bunch" gathering of corporate representatives.

Above: Group Vice President Richard Breault met with Kenneth Duberstein, director of legislation at the White House.

Left: Pakistan President Mohammed Zia ul-Haq was one of 27 heads of state to visit Chamber officials in 1982.

Tapping small business potential

Last year the U.S. Chamber was active both on Capitol Hill and in the field as it broadened its lobbying and political action efforts on behalf of the small business sector. Increasing small business' political effectiveness during an election year was a key aim of the Chamber, whose Small Business Council early in 1982 organized a novel member political program to mobilize small business support for important congressional races.

The small business sector was also encouraged by the passage of three Chamber-backed

Chief Justice Warren Burger spoke at a special small business session during the Chamber's 1982 Annual Meeting.

bills: The Prompt Payment Act, which requires the federal government to pay interest on bills more than 45 days overdue; the Small Business Innovation Act, which gives small businesses and individual inventors the right to compete for a specified portion of government research and development activities; and the Export Trading Company Act, which encourages the formation of export trading companies by granting antitrust immunity to banks and bank holding companies.

Seeking business support

At a special Board of Directors dinner last November, the Chamber successfully launched its $35 million capital-fund drive, dubbed "The Spirit of Enterprise Fund."

This three-year fund-raising campaign is the first of its kind since 1912. Contributions from large and small businesses will be used to modernize the Chamber's 61-year-old headquarters building, replenish cash reserves, provide essential working capital; and expand international activities.

Amway Corp. Chairman Jay VanAndel, who heads the campaign, told an impressive gathering of business and government leaders at the reception that the fund will help the Chamber remain the nation's premier advocate of business: "'The Spirit of Enterprise Fund' guarantees that the Chamber's growing effectiveness and service to the private sector will continue."

Spirit of Enterprise Fund Chairman Jay VanAndel and former Chamber Chairman Paul Thayer greeted Sen. Paul Laxalt (R-Nev.) at the campaign's kickoff.

U.S. productivity by examining broad policy issues. The Chamber's Survey Research Center, with the aid of the Gallup organization, conducts quarterly business confidence and consumer opinion polls.

A book published last fall by the Chamber's Tax Policy Center, entitled "The 1982 Tax Law: What It Does to You and Your Business," summarizes recent changes in the 1982 tax laws.

Unlocking doors to world markets

At a Miami conference on the Caribbean last December, Dr. Lesher told the 750 attending delegates: "The recession in the United States is largely behind us. The U.S. economy is perking up."

Dr. Lesher's comments came at a critical time of increasing pressure by special interests for protectionist legislation, prompting the Chamber to intensify its efforts to promote more liberal trade policies.

In a dramatic response to proposed trade barriers, the Chamber led a coalition of business and consumer groups opposed to short-sighted legislation such as the domestic content proposal for automobiles.

In testimony before Congress, in letters to administration officials, and at meetings of concerned business representatives, Chamber members and staff stressed that the ultimate solution to waning U.S. automobile and other sales will be across-the-board economic recovery. At their quarterly meeting last February, the Chamber Board of Directors adopted comprehensive trade policy guidelines for legislative and other activity as new trade legislation is considered by the Congress.

Coordinating strategy

The Chamber took an active interest in international trade policy by codirecting six coalition strategy groups of member business and association executives to address current trade issues, and by participating in a series of joint business councils.

In June the Chamber held a special meeting on export promotion to encourage coordination of groups that promote exports, such as chambers, associations, and American Chambers of Commerce Abroad.

To promote export awareness and mobilize businesses in opposition to trade barriers, the Chamber in 1983 will employ varied communication resources. Abroad, the 46 AmChams and 14 joint councils will continue to serve as vital liaisons between U.S. and foreign business interests and governments. At home, export education programs such as the monthly "International Forum" will be broadcast on BizNet to interested groups around the country.

Fine-tuning business expertise

Mobilizing members across the country is the job of the Chamber's six regional offices. In 1982 field staff members played a critical role in the Chamber's election-year legislative and political action efforts.

Other activities in the field include issue briefings, international conferences, and leadership conferences for local and state chambers of commerce.

Promoting corporate participation

The Office of Corporate Relations last year developed and implemented an action plan to revitalize the member congressional action system, and to increase member impact on Washington decision making. Staff members met with top executives of more than 300 corporate member firms to determine their public policy priorities.

The Chamber Briefing Center, located in the headquarters building, was the site this past year of some

Above: Vice President George Bush talked at the Chamber with state leaders of coalitions urging Clean Air Act revisions.

Right: Rep. Jack Kemp (R-N.Y.) addressed the Chamber's popular "Association Insiders" breakfast group.

Above: At a Chamber news conference, Dr. Lesher and representatives of other business and farm groups—including National Federation of Independent Business official James McKevitt—urged Congress to oppose tax increases.

175 briefings for more than 3,000 business people. Briefings are designed to inform members of key legislative and regulatory issues affecting their companies.

Providing professional guidance

The Association Department continued to focus on strengthening the voice and support of associations.

Workshops covered such topics as testimony, association law, and computerization. New publications included two books entitled *Testifying with Impact* and *Association Legal Checklist*, as well as several timely special reports.

The "Association Insiders" breakfast series and BizNet's "Association Report" updated members on crucial issues ranging from government relations to association management.

Supporting local and state chambers

A revamped Office of Chamber of Commerce Relations last year expanded efforts to encourage member participation in Chamber programs and policies. Staff members worked to improve communications with state and local chambers, by revising publications and producing "Chamber to Chamber" on BizNet.

Staff members also fielded inquiries from some 7,200 individuals representing more than 400 chambers.

Building leadership skills

The Chamber's Center for Leadership Development maintained solid enrollment in its education programs. More than 160 business people in Washington participated in the Corporate Executive Development Program to learn how Washington works. Some 2,100 chamber and association staff managers attended the week-long Institutes for Organization Management, held at seven universities across the country and in Mexico and South America.

Fostering balanced policies

Challenging unfair laws

The National Chamber Litigation Center, the business public policy law firm affiliated with the U.S. Chamber, continued to champion business interests this year by entering more than 30 court cases.

The six-year-old NCLC exclusively represents business interests in the federal courts by urging a balanced labor policy, opposing burdensome regulations, and protecting corporate privacy.

Last year NCLC, which is funded entirely through private donations, successfully argued a number of cases that tested anti-strike-breaking rules, psychological impact statements, union representation election sites, and individual versus corporate rights.

Advocating taxpayers' rights

Reform of the income tax system topped the legislative agenda of Citizen's Choice this past year. The 75,000 member national taxpayer lobby affiliated with the Chamber gained national acclaim recently when it wrote and won passage of a "taxpayer's bill of rights."

The organization's National Forum on Tax Alternatives brought together leading tax experts to discuss an alternative tax system. The forum helped spark the growing movement for a flat-rate tax.

Analyzing complex issues

Drawing from its pool of private sector issues specialists and researchers, the National Chamber Foundation was busy in the past year examining and interpreting a variety of public policies.

The Chamber-affiliated foundation completed its analysis of the effects of federal minimum wage law on the economy and employment, and undertook a major study on ways the U.S. private sector can aid Hispanic business development. Other key publications released in 1982 explored transportation policy and product liability reform.

Top: Former Chamber Chairman Donald Kendall introduced President Reagan at last year's annual meeting.

Far left: Labor Secretary Raymond Donovan and Chamber Group Vice President Thomas Donohue at the Chamber.

Left: Treasury Secretary Donald Regan addressed a packed audience at the Chamber's "International Forum" luncheon series.

Size of Chamber member businesses

Small businesses are by far the U.S. Chamber's largest constituent group, as the chart above illustrates. More than half of all Chamber members employ fewer than 10 workers—86 percent employ fewer than 50. Only eight percent of all member firms have more than 100 employees.

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Senior Partner
Thompson, Mann and Hutson

President
Dr. Richard L. Lesher
Chamber of Commerce of the United States

Vice Chairman of the Board of Directors
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Chairman and Chief Executive Officer
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Chairman of the Executive Committee
Donald M. Kendall
Chairman and Chief Executive Officer
PepsiCo, Inc.

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Executive Vice President
California Chamber of Commerce

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Herder Construction Company

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Johnson Publishing Company, Inc.

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Dr. Juanita Kreps
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Honorary Chairman of the Board
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David B. Weatherup
President
Central Fence of cny, Inc.

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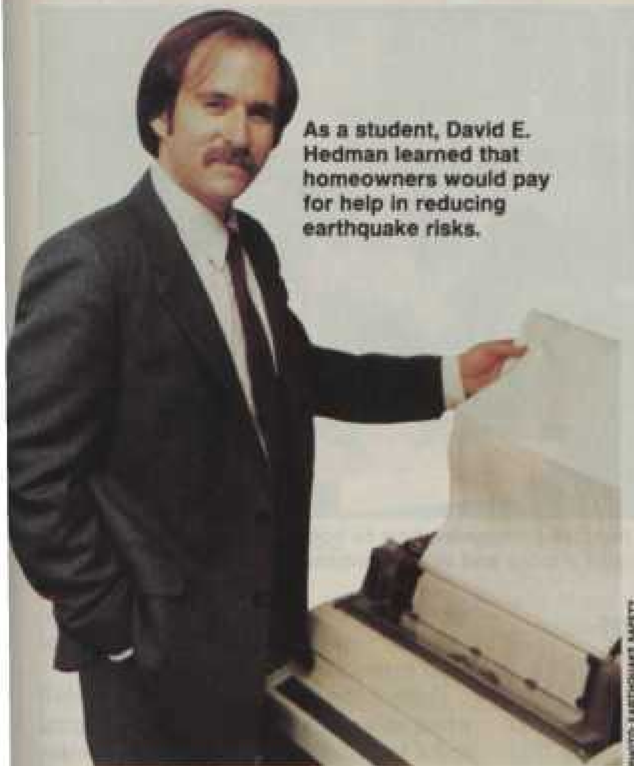
Chairman of the Board and Chief Executive Officer
The Coca-Cola Company

Norma Pace
Senior Vice President
American Paper Institute

Frances Shaine
Chairman
SPM Manufacturing Corporation

Frank E. Smith
President
Greater Detroit Chamber of Commerce

Amb. Albelardo Valdez
Partner
Finley, Kumble, Wagner, Heine, Underberg and Casey



As a student, David E. Hedman learned that homeowners would pay for help in reducing earthquake risks.

Measuring Success On the Richter Scale

It may seem odd that the threat of major earthquakes in the San Francisco Bay area did not spawn companies dedicated to reducing the risks for homeowners, but that was the case before David E. Hedman established Earthquake Safety, Inc.

Hedman, 26, started the firm in 1980 while still an undergraduate at Stanford University. Earthquake Safety provides professional engineering and geologic consulting services to homeowners. It also holds detailed earthquake preparedness seminars for officials and citizens of other cities. So far 5,000 customers have paid $75 each for individual home inspections, and seminars have drawn as many as 1,000 attendees.

Earthquake Safety also sells an array of emergency preparedness items. The biggest seller is an earthquake-resistant water container. Other products include a device for making swimming pool water drinkable and a gas-line shut-off wrench for reducing the risk of explosions because of broken lines.

How did all this get started? While at Stanford, Hedman was a member of the university's earthquake preparedness committee. He thought the information generated by the committee was so useful that it should be made available to the general public through some sort of clearinghouse set up on campus.

"The university wanted evidence that this clearinghouse would fill a genuine need," Hedman explains, "so I did a market study project through the graduate school of business to find out whether there was a demand for information about earthquake risks. The results showed there was a very high demand."

After eight months on campus, Earthquake Safety moved out on its own. Since then, growth has been "very systematic," Hedman says, "with a minimum amount of risk."

Hedman is planning to open a Los Angeles office in May, and he projects company revenues at $750,000 this year.

Hedman sees the key to his success in the thoroughness of his services as much as in his discovery of a previously untapped market.

For example, Hedman started offering home inspections when calls came in from consumers who had received his information packet but didn't know how earthquake-resistant their own homes were. New homeowners and potential buyers of homes were especially concerned. In response, Hedman got together a team of engineers, some of them former Stanford students, and designed a detailed inspection procedure to determine, among other things, how well a house is braced and whether its gas line is likely to break.

After 2½ years, Earthquake Safety now faces competition from other organizations that have sprung up in the wake of its success. Hedman believes his services are still the broadest and the best. And, he says, "business is just booming."

A Popular Product From the South Seas

Twila Wilson, 34, has done more for the sarong than Dorothy Lamour did in those old-time movies. Because of Wilson, tens of thousands of Americans—men and women—are wearing the exotic wraparounds.

She began importing them six years ago from Indonesia to Java Wraps, a tiny shop she established on St. Croix in the U.S. Virgin Islands.

There are now four Java Wraps shops in the Virgin Islands, and Wilson's firm supplies sarongs and other garments to stores on 30 islands from Trinidad to Guam and to 300 U.S. resorts from Florida to Maine.

Up to 1982, says Wilson, "our gross doubled every year." Last year the increase was more modest—only 30 percent, to $2.7 million.

Net profit isn't bad either. Wilson says that if a sarong costs $10 in Indonesia, "You add 40 percent to that for landing it in the United States and then double the price." That's how it works in her Caribbean stores; in mainland U.S. stores, she says, the prices are "slightly higher."

Wilson grew up in Colorado, got an interior design degree at Colorado State University, worked in Denver a year and then tackled New York. She got a job that sent her to Singapore, Indonesia and Africa "to buy and to design clothing, taking their motifs and styliz-

Selling 15 antique sarongs for $3,000 launched Twila Wilson into a business that grossed $2.7 million in 1982.

ing them for the American market." Three years later she took another design job in London and then decided to take a year off in the Virgin Islands. She brought along 15 antique sarongs she had collected and, she says, "everybody on St. Croix wanted to see them."

So she put the sarongs—some of them 200 years old—on sale in a room at the rear of a nightclub, pricing them at $200 to $250 apiece.

"A gentleman asked what I'd do if someone offered $3,000 for the entire collection," she recalls. She told him she would use $1,000 to pay off her car and the other $2,000 to go back to Indonesia to buy more. "'Then the deal's done,' he said, and wrote a check."

A few months later she was back with more sarongs.

She expected sales resistance, especially from men, to the idea of tying on 2- or 2½-yard batik cloths (in the batik process, textiles are hand-printed by coating with wax the parts not to be dyed). But there was no such resistance, she says, and about one in 10 of her sarongs is sold to men.

"We had people lining up to get in the shop," Wilson recalls. "They wanted matching things—dresses, bikinis, culottes. We were forced into the fashion business."

A St. Croix lawyer became a partner and helped get bank financing. Wilson also got a Small Business Administration loan.

She returned to Java and put an entire village to work turning out batik fabrics. In Java she met a couple who were buying for their shop in New Orleans, and the three of them established a sewing village.

"You start with the village's tailors, giving them your patterns," she says. "They pass on the work to their wives, who pass on the work to their neighbors. We have 3,000 people working at any given time in Java."

By 1978 Wilson was producing a full line of batik ready-to-wear. Now, she says, the line's sales volume exceeds that of the sarongs.

Wilson, who is single and lives in a renovated sugar mill on St. Croix, wears a sarong "almost all the time."

What happened to that $3,000 collection of antique sarongs?

"A year after I began my business," Wilson says, "the gentleman came to me and said that if I'd let him keep three of the best, he'd sell me back the dozen others for the $3,000 that put me into business. I did and he did."

PHOTO: JOHN STARKEY—BLACK STAR

Larry T. Halt's consulting firm teaches companies how to boost sales—or how to keep them up. Here, Halt conducts a sales and self-development session.

From Selling Ponies To Selling Selling

Larry T. Halt, 36, is so crazy about selling that he founded a company that would let him share his enthusiasm—and expertise—with others.

Sales Acceleration, Inc., started seven years ago as a one-person operation in Halt's hometown, Fort Wayne, Ind. Today the staff has grown to 14, and an office in Indianapolis has been added. Revenues last year were $650,000 and are expected to top $1 million this year.

Halt's romance with selling began when, as a 6-year-old on his parents' farm, he went into the pony business.

He explains that he started working at age 3, earning 10 cents an hour pulling weeds out of the family mint patch. In three years he saved $264, the price of his first pony. Under his parents' watchful eyes, he bought and sold nearly 20 ponies over the next four years. He admits he didn't make money on every animal, but he estimates his overall profit at $3,000 to $5,000.

At 16, he dropped out of school and started a sod farm with a friend. Since then, he is fond of telling people, he has sold everything "from bananas to brassieres" and has done so from "Akron to Australia." His own sales training, he says, was acquired "in the street."

Although the idea for Sales Acceleration was on his mind for a long time, Halt says he waited until he was 29 to implement it. He believed he would have to be at least that old to command respect and get results.

The firm offers sales and self-development programs called "Success Dynamics," management consulting and even executive placement.

Commonly, a company calls on Halt when sales and production are lagging and a turnaround is needed. But companies bring him in when business is good, too. "They anticipate that if they don't do something to keep it good, they could get fat and sassy and lose the edge they have," Halt says.

Halt also runs programs for local chambers of commerce. These programs aim at improving the image of a community by helping companies and their employes improve their self-images.

In fact, self-image is a key to the Halt approach. One happy client, Jack Snetzler, sales manager of Harper & McIntire, a Cedar Rapids, Iowa, hardware wholesaler, found Halt to be particularly effective in "motivating our salespeople and rearranging their opinions of themselves."

Because his firm has a lot of repeat business, Snetzler explains, his staff tended to become "order takers instead of salespeople." Halt's program helped convince them they could find new business, Snetzler says, and sales have increased substantially despite a reduced sales force.

What makes Halt so good at sales? "I believe in myself, and I believe in what I do," he says. But, more than that, he tries to understand why people—including himself—do what they do and buy what they buy. "If you are to be very effective in the selling process," he emphasizes, "you have to figure out what makes people tick." □

CONGRESSIONAL ALERT

Issues That Could Affect *Your* Business

. . . and what you can do about them

This NATION'S BUSINESS feature advises readers how they can make their views known on important pending legislation. Correspondence to members and committees of Congress can be sent either c/o U.S. Senate, Washington, D.C. 20510 or U.S. House of Representatives, Washington, D.C. 20515.

Issue	Potential Impact On Business	Contact And Business Message
FY 1984 Budget/Taxes	Congress will soon determine 1983-84 spending and tax rates, which will affect economic growth and level of unemployment and rate of inflation.	Members of Congress: Reduce the level of federal spending; oppose tax increases and retain third-year tax cut and tax indexing; cap automatic cost-of-living increases at 60 percent of consumer price index.
Natural Gas Deregulation	U.S. Chamber supports effort to remove restrictions on gas use and price that are unfair to businesses as gas consumers; wants long-term, fair-priced supply.	Senators, House Energy and Commerce Committee: Support attempts to deregulate all gas prices by a specific date and remove demand constraints.
Immigration	Proposed unworkable, ineffective, expensive and discriminatory sanctions would place undue burden on small business.	Senators, House Judiciary Committee: Support revisions to remove paper work burden on small business, seek sensible policies to control illegal immigration.
Domestic Content	Legislation supposedly aimed at saving domestic auto jobs would actually result in net loss because of anticipated foreign retaliation.	House Energy and Commerce Committee and Ways and Means Committee: Urge House members not to cosponsor H.R. 1234; oppose restrictions on free flow of trade.
Export Administration Act	Modifications would promote U.S. reputation as reliable trading partner, provide thousands of new domestic jobs, reduce balance of payments deficit.	House Foreign Affairs Committee and Senate Banking Committee: Reduce regulation of exports freely available from non-American sources, focus controls on militarily significant items.
Bankruptcy	Legislation would make filing for bankruptcy more difficult for consumers with anticipated future incomes; assumes that those able to pay their debts must do so.	Senators, House Judiciary Committee: Support attempts to end abuse of bankruptcy code, require law to have future income provision.
Jobs Bills—Phase II	Government borrowing to pay for more temporary jobs programs would reduce speed of economic recovery, lead to much higher deficits.	Members of Congress: Don't spend borrowed federal dollars in unsuccessful, quick-fix job creation attempts.

Environmental Issues: A Lull in the Storm

A NEW LEADERSHIP team is taking over at the Environmental Protection Agency in the wake of the political firestorm that wiped out the old.

But no one should harbor any illusions that an era of harmony in environmental politics has arrived and that William S. Ruckelshaus, the new administrator, will be able to simultaneously please environmental organizations, industry, Congress, the White House and the public. Such an accomplishment is beyond the abilities of any administrator, no matter how capable.

The problem does not lie with personalities or politics, although many of the combatants in the recent controversy operated on the assumption that it did. There is a more fundamental factor—the lack of a national consensus on environmental policies.

Hard-line groups insist on an absolutism that elevates rigid preservation at the expense of economic growth. They fail to recognize that no amount of regulation can alter the need of an expanding population for jobs, housing, energy and other essentials.

Other groups, including business, believe that a reasonable balance can be achieved between environmental protection and the economic growth essential to national survival. Until there is substantial national unity on that point, it is unrealistic to expect that managerial changes at EPA will result in unanimous support for all future actions of that agency.

Take the Vagueness Out of "Unfairness"

THE Federal Trade Commission, once a showcase of regulatory excess, has made major progress under the Reagan administration toward reasonableness and economic understanding.

However, in a nation of laws, those subject to FTC regulation should not have to depend for equitable treatment on the attitudes of transient appointees. Basic laws under which the agency operates should provide it with clear-cut standards. They do not always do so.

This is particularly true in the case of language prohibiting "unfair competition" and "unfair or deceptive" company actions that affect consumers. The word unfair is, of course, so broad and vague as to allow any kind of interpretation.

In recent years, FTC staff members have used the term as authority for a wide range of social experiments. One was the children's television case, in which the FTC argued it was unfair for parents to be subject to children's pleas that they buy products seen advertised on TV.

Legislation now pending in Congress would provide clear guidelines for FTC action on fairness grounds in both the antitrust and consumer areas. It represents no diminution of the commission's lawful authority, and it should be passed.

Otherwise, future commissions might return to the social engineering of the past.

Time To Get Rid Of An Expensive Relic

WHAT DO YOU DO with an expensive government program that is both unnecessary and unfair?

The obvious answer: Abolish it. That is what Congress should do to the trade adjustment assistance program, which was designed to provide cash payments, retraining and relocation aid to workers idled by import competition. (See article beginning on page 39.)

Regular unemployment compensation programs have become far more generous in benefits and duration since the Trade Adjustment Assistance Act was passed 21 years ago. And the newly enacted Job Training Partnership Act offers workers an opportunity to learn new skills.

As a result, the Trade Adjustment Assistance Act is superfluous.

There is no reason why an employe laid off because of import competition should be treated better than one idled because of domestic competition or other economic factors. □

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